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**KARAIKUDI-630 003, TAMILNADU**

## DIRECTORATE OF DISTANCE EDUCATION

## M.B.A. (Hospital Management)




## Paper - 4.3

# Marketing of Hospital Services

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# PAPER - 4.3 MARKETING OF HOSPITAL SERVICES

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**Books for Reference**

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# UNIT I
# INTRODUCTION

The World economy is becoming a predominantly service-based economy. Explosive yet erratic growth in this area, coupled with decline in traditional manufacturing, means that whether measured by income or numbers employed, more than 60 percent of the worlds economies are now in the services sector. Intense competition, encouraged by deregulation in both the financial and professional markets as well as the application of new technology, has fuelled this growth. Within all sectors of the economy there has been a growing trend towards specialization leading to greater reliance on external specialist service providers.

Service marketing has increased in importance over the last decade with the advent of competition. Ten years ago competition was relatively less important to firms in service business. However, competitiveness has escalated at an alarming rate in most service sectors.

Services are frequently asked the following question. Is the marketing of services, and consumer or industrial products, similar or different? We always give the same reply yes and no. This reply, rather than being evasive is meant to highlight the following:

- At a higher level the theory of marketing is relevant to all exchange relationships. The same principles and concern apply.

- At the industry sector and operational levels the characteristics of services may dictate the need to place more emphasis on some marketing element and /or apply other marketing elements in a different way.

With an intangible product and with copyright impossible on many service innovations, marketing staff in the services industries are faced with a special challenge: how can a firm achieve a unique corporate image, product differentiation, and a distinctive reputation in the marketplace? How can one airline seat or one insurance policy be made to appear more attractive than the opposition's broadly similar offering? In such an intensely competitive environment, marketing skills in services will be at a premium.

Some of the traditional business divisions no longer apply and services marketing professionals can learn from people involved in other areas of expertise such as fast moving consumer goods, which has a lot in common with certain services such as package tours. Professionals like architects and solicitors now have to consider how to improve their marketing to both consumers and business as a consequence of deregulation. In deregulated businesses in particular, managers have recently seen an urgent need for marketing where none existed previously. Even non-profit making bodies such as charities, hospitals and some government departments-such as Department of Industry with its Enterprise Initiative –are discovering the need for services marketing.

## Significance of services marketing:

In this part of the chapter in order to understand the concept of services marketing we begin with an overview of the services economy and its significance

## Importance (Significance) of services marketing:

There is a great increase in the significance of services marketing due to the mentioned factors below

**Demographic changes**

- ❖ Life expectancy has risen, producing an expanding retired population. This sector has created new demands for leisure and travel as well as for health care and nursing.
- ❖ Structural shift in communities have affected where and how people live. The development of new towns and regions has increase the need for infrastructure and support services.

**Social changes**

- ❖ The increased number of women in the workforce has led to previously domestic functions being performed outside the home. This has promoted the rapid rise of the fast food industry, child care facilities and other personal services.
- ❖ Working women and the resulting two-income households have created a greater demand for consumer services, including retailing, real estate and personal financial service.
- ❖ The quality of life has improved. Smaller families with two incomes have more disposable income to spend on entertainment, travel and hospitality services.
- ❖ International travel and mobility have produced more sophisticated consumer taste. Consumers compare services both nationally and internationally and demand variety and improved quality.
- ❖ The greater complexity of life has created demand for a wide range of services, particularly legal and financial advice.
- ❖ Communication and travel have increased aspiration levels. As a result both children and adults are making new demands on learning establishments, in order to develop the skills needed to compete in our complex and fast changing environment.

**Environment Changes**

- ❖ Globalization has increased the demand for communication, travel and information services. This has been fuelled by the rapid changes brought about by new information technology.

- ❖ Increased specialization within the economy has led to greater reliance on specialist service providers; for example, advertising and market research have become specialist functions supporting all sectors of the economy.

**Political and legal changes**

- ❖ Government has grown in size, creating a huge infrastructure of service departments.

- ❖ Internationalism has made increased and new demands on legal and other professional services.

Many of these changes have knock on effects. For example, globalization is producing concentration within many industries – often by acquisition. In one recent example over millions was spent on fees to merchant banks, financiers, accountants and legal advisers, over a relatively short period in an unsuccessful attempt to ward off an acquisition. A large amount was also spent by the acquiring company. As a consequence of the successful acquisition, many staff members were made redundant, creating demand for out-placement consultants and external specialists. Management consultants were called in to improve the company's operations and actuaries were used to sort out transference and settlement of pension schemes. Loss adjusters, insurance brokers and insurance companies were involved following a fire, (which was believed to be the result of sabotage). Architects were used to redesign the building, involving the subsequent use of other service.

This example illustrates an important feature of demand for many types of services. The various providers of the services did not have advance warning of the service requirement. They could not plan for the sudden demand on their various specialists. Each of the services was very much dependent upon people resources, which cannot be stockpiled. The increased demand for services is in part driven by the greater complexity of all business transactions.

A further factor in the current economy is an increasing trend of companies to subcontract out to specialist service providers of activities which they previously carried out in house. Contract catering, recruitment, advertising, transportation, computer services, training, market research and product design are all examples of such work being delegated to external organizations. Companies are becoming more focused, realizing that increased sophistication in the marketplace and greater competition means that such activities are better performed by external specialists.

## SALIENT FEATURES OF SERVICES

Exactly what is a service, and why should services receive special treatment from marketers? A popular definition describes service as *"any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."* Although we will see that the distinction between goods and services is somewhat artificial, since the success of goods manufacturers is vitally dependent on the services they provide, there are four commonly cited characteristics of services that make them different to market from goods: *intangibility, inseparability, variability, and perish ability.*

### Intangibility

Pure services such as baby-sitting cannot be seen or touched. They are ephemeral performances that can be experienced only as they are delivered. As the above definition of a service suggests, intangibility may represent the most critical difference between services and goods, and its implications for marketing are great.

Intangible services are difficult to sell because they can't be produced and displayed ahead of time. They are therefore harder to communicate to prospective customers. A hobbled weekend athlete can't see the results of elective knee surgery beforehand. The person may be able to talk to other patients who have experienced the same procedure, but their operations don't necessarily reflect the outcome of this particular surgery. There are no tires to kick, no samples to taste, no test drives available. The prospective surgery patient must commit to the process before seeing what he or she is getting, and therefore has higher perceived risk. Marketers of services can reduce this risk by stressing tangible cues that will convey reassurance and quality to prospective customers. These tangible cues range from the firm's physical facilities to the appearance and demeanor of its staff to the letterhead on its stationery to its logo.

## Inseparability

This characteristic is interpreted differently by different service marketing writers, one interpretation of this term as the inseparability of customers from the service delivery process. In particular, many services require the participation of the customer in the production process. A child getting a haircut must sit still; otherwise, the family photo may have to be delayed for a month. The person who comes to a tax preparer at the last minute with boxes of disorganized records may cause the preparer to overlook some possible deductions. An over demanding restaurant patron may fluster or aggravate the wait staff so badly that service quality is reduced for customers at several tables.

These examples illustrate the fact that, unlike goods, which are often produced in a location far removed form the customer and totally under the control of the manufacturing firm, service production often requires the presence and active participation of the customer – and of other customers. Depending upon the skill, attitude, cooperation, and so on that customers bring to the service encounter, the results can be good or bad, but in any event are hard to standardize.

## Variability

The fact that service quality is difficult to control compounds the marketer's task. Intangibility alone would not be such a problem if customers could be sure that the service they were to receive would be just like the successful experiences their neighbors were so pleased with. But in fact, customers know that services can vary greatly. Different front-line personnel have different abilities. Even the same service provider has good days and bad days, or may be less focused at different times of day. Services are performances, often involving the cooperation and skill of several individuals, and are therefore unlikely to be the same every time. This potential variability of service quality greatly raises the risk faced by the consumer.

The service provider must find ways to reduce the perceived risk due to variability. One method is to design services to be as uniform as possible-by training personnel to follow closely defined procedures, or by automating as many aspects of the service as possible. This isn't always a good strategy, however. The appeal of some service as personnel- particularly, those involved in such expensive personal services as beauty parlor treatments or home decorating-lies in their spontaneity and flexibility to address individual customer needs. The danger with too much standardization is that these attributes may be designed right out of the services, therefore reducing much of their appeal. A second way to deal with perceived risk from variability is to provide satisfaction guarantees or other assurances that the customer will not be stuck with a bad result. In Chapter 8 we will discuss the growing use of unconditional guarantees for services. Finally, even for highly customized services, advertising along may be able to reassure prospective customers that the organization is capable of and committed to doing an excellent job.

## Perishability

The fourth characteristic distinguishing services from goods is their time dependence. Services cannot be inventoried, since they are performed in real time. And time periods during which service delivery capacity sits idle represent revenue-earning potential that is lost forever. Periods of peak demand can't be prepared for in advance by producing and stroking services, nor can they be made up for after the fact. A service opportunity occurs at a point in time, and when it's gone, it's gone forever. This can present enormous difficult in facilities planning. A survey of service firms found that the greatest operational challengers facing them were posed by the perish ability of their products.

Matching service capacity to demand patterns can involve managing one or both elements. Perish ability often puts a greater burden on service marketers to manage demand than it does on goods marketers, who can build up inventories to meet peak demand or can reduce price later to move unsold inventory. The cited survey found that firms' principal method for controlling demand was to increase personal selling during potentially slow periods. Surprisingly, few firms claimed to use the standard economic solution of price changes to increase or decrease demand, although some service industries, such as resort hotels with seasonal demand, do this routinely. Few respondents said they developed alternative counter seasonal service products to use slack capacity, although that has long been a common practice by goods marketers. Many service providers also control demand by requiring appointments.

The alternative to controlling demand is to make service capacity flexible. Some service firms keep on call frontline personnel who can arrive on short notice to meet surges in demand, or cross train support personnel to assist with customer service during busy periods.

## Developing an effective service mission

The development of an effective mission statement is especially important in service because of the need for focus and differentiation in service sector business. Given the intangibility of services and the significance of people in service operations, organizations need to develop a clear statement of purpose or 'mission' to ensure that the appropriate attention is directed at the key elements of their strategy. We define a mission as follows:

"A mission is an enduring statement of purpose that provides a clear vision of the service organization's current and future business activities, in product, service and market terms, its values and beliefs, and its points of differentiation from competitors. A mission helps determine the relationships in each of the key markets with which the organization interacts, and provides a sense of direction and purpose which leads to better independent decision-making at all leaves of the organization".

Such a mission statement should explicitly reflect the underlying beliefs, values and aspirations, and strategies of the organization. However, many service companies' mission statements display bland similarity and consist of generalizations rather than unique commitments to a specific set of values and corporate direction.

## The nature of services corporate missions

A consideration of the literature on mission statements suggests a number of key issues are important while designing a mission statement

- It is dangerous to define an organization's mission too narrowly or too broadly.

- The audience for a mission should be carefully considered.

- It is crucial to understand what service you are in.

- A mission statement should be unique.

It is essential to have a mission statement which is market specific rather than product oriented.

In developing a mission statement the key is to achieve a balance between not being so narrow as to restrict growth opportunities and not being so board as to lose focus. The value of this balance in developing a mission statement to guide the firm's strategic moves becomes apparent when the recent activities of a number of UK banks and retailers are considered. Some service organization which diversified away from their core business are having a HCO disastrous results, are now reconsidering their strategy. Similarly, a number of retailers that have diversified away from their core businesses, have been unprofitable in these new areas, and are now leaving them and consolidating back into their core services. If effective mission statements had been formulated. With the requisite strategic focus that this implies, it is questionable whether some of these firms would have diversified into the loss-making, non-core and unrelated services areas that they entered in recent years.

Who are the target audiences for the mission and what are their expectations? Before formulating a mission statement the target audiences for the mission and their relative importance should be considered. Many mission statements are primarily directed at shareholders and senior management and fail to understand and critical role of non-managerial front-line service providers within a service company. Without such a statement of organizational values employees have to derive these from their own interpretation of where the service organizations is

headed and what its values are, and such interpretations many vary considerably. Without the energy, enthusiasm and commitment of staff it is unlikely that the strategy of service provider will be realized. The sophistication of the mission needs to be reviewed taking into account the audience to whom it is addressed. A mission statement aims to capture the vales and beliefs of the organization and provide guidelines for the way it should interact with its identified markets-customers, internal employees, influence markets (including shareholders), suppliers, referral markets, as well as the recruitment markets for employees.

These are the major areas for consideration, but there may be others. For example, there may be other influence markets. In Health care industries the development of Genetical engineering plays a vital role.

It should be clear that a mission which attempts to address every one of these groups equally could become extremely long and consist of general 'motherhood' statements. There are also potential conflicts of interest between the different market areas. In considering the various markets outlined above the company needs to consider how the company intends to serve each of them and to what extent it wants to incorporate recognition of them within the mission.

The decision on target audiences for the mission should be based on the context of the particular service firm and its current position within the industry sector. Most senior managers in service firms consider that the key messages in the mission statement should be concerned primarily with providing a strategic direction for the organization and motivating and focusing its internal staff. In a number of cases we examined a mission statement was developed and aimed specially at this internal audience, with a modified version being used for external purpose and reflecting consideration of other stakeholders.

## What business are we in?

Consideration of the mission for a service organization involves asking two interrelated questions: What service are we in and what service business should we be in? The mission should provide the target audience determined above, including employees and other relevant stake-holders, with an understanding of the strategic direction and scope of the organization.

The mission is a key vehicle for developing and reviewing the strategic market and service options. In considering the basic purpose of the business... it is essential that these strategic growth options are considered. Otherwise the mission may simply be a series of elegant words used to reinforce the existing status quo.

Market penetration.
Market development
Product or service development
Diversifications

Each section of the matrix in Figure 3.2 represents a core marketing strategy based on combinations of focus on existing markets, new markets, existing services and products.

Developing a mission involves consideration of what services and markets the company wants to be in, not just those in which it is involved at present. A mission cap help identify a policy defining future service growth and probability, based on these four growth options.

## How unique is the mission statement?

A. mission statement needs to be unique to the organization under consideration: a key method of obtaining competitive advantages is to be different in a preferred way to a selected customer base. The mission statement should articulate the point of differentiation and at the same time act as a framework for helping evaluate current and future activities.

## Is the mission market oriented?

It is particularly important to avoid mission statements that are product oriented, i.e. the mission should be defined in a way that reflects customer needs rather than product features and attributes. The dangers of service – oriented mission statements become obvious when we consider manufacturers of products such as candlesticks and slide rules, which have seen their markets largely, disappear. In the long run, companies which appreciate that they are in the business of satisfying underlying market needs such as illumination or computational aids, rather than producing specific products, are likely to be much more successful than companies which are product oriented.

The value of a mission statement in the context of a physical product is easy to comprehend. In the services sector definition of business scope can be more subtle.

They argue that a strong mission exists when these four elements link together tightly and describe some key guiding principles or how to create a long term 'sense of mission'. These include the following:

- It takes years not months. Creating a sense of mission is a long-tem project. One company has been actively working at it for ten years and has still not fully succeeded. On the other hand, if the sense of mission is imposed from above, and is combined with sweeping management changes, a shorter period, say less than three years, seems to be reasonable.

- True consensus is necessary within the top team. Normally a few people within a company, sometimes as few as two, form the power group at the centre. It is necessary for this group to have a sense of mission if the organization is to have one.

- Action is a better communicator than words. The reason why the top team must have a true belief in the values is because it is their actions that will send out the message. Values are not easily communicated by speeches. They only live in an organization when managers act them out.

- Top team visibility is essential. The values of the organization are its ethos and personality. It is much easier for employees to identify with the ethos is they can associate it with a leader or leadership group. It is hard to believe in an organization if you feel out of touch with the leadership.

- Top team continuity. Continuity of leadership is one of the biggest contributors to creating a sense of mission. Not only does it give the leaders time to think through the connections between values and strategies and to identify pivotal behavior, it helps to make the leaders more visible, makes consensus

more likely and promotes consistency, one of the most important aspects of communicating a message.

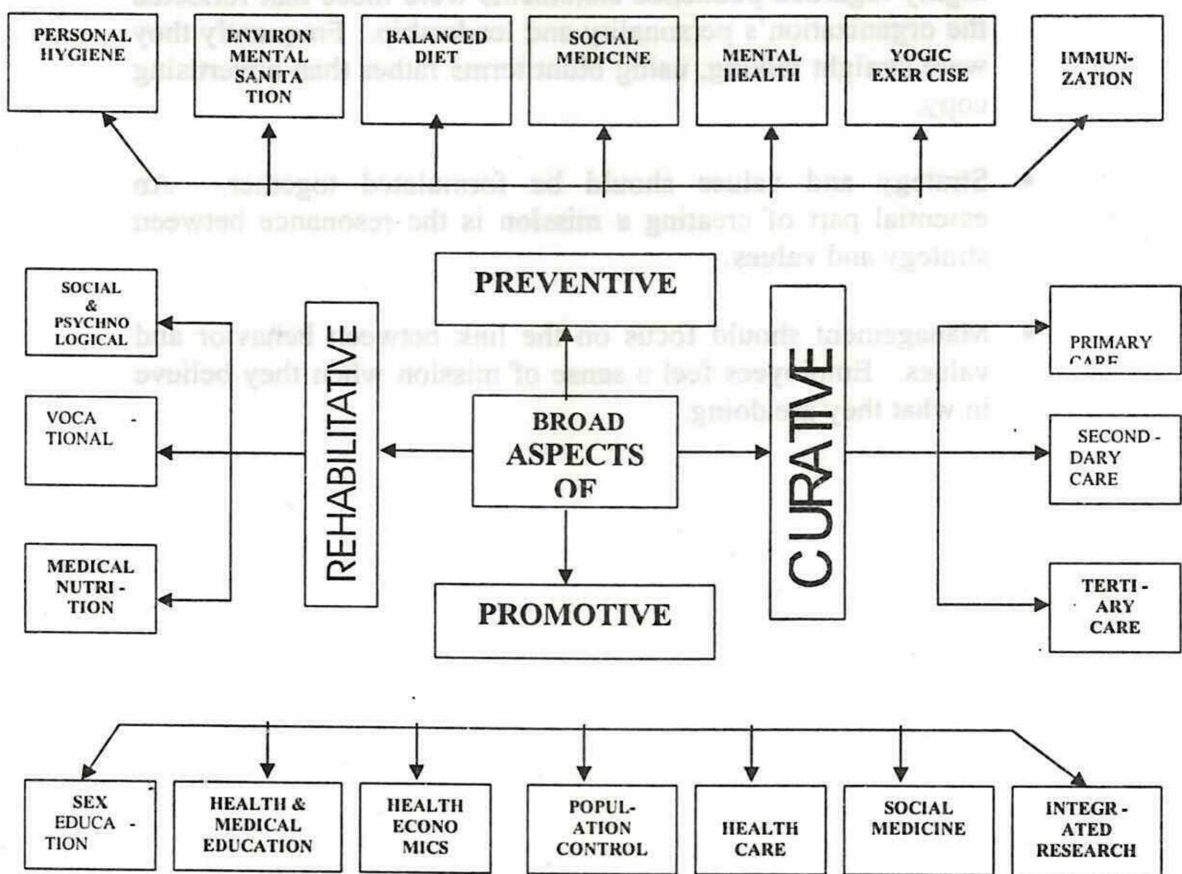
- Statements of mission should have personality. The most highly regarded published statements were those that reflected the organization's personality and leadership. Frequently they were straight talking, using blunt terms rather than advertising copy.

- Strategy and values should be formulated together. An essential part of creating a mission is the resonance between strategy and values.

- Management should focus on the link between behavior and values. Employees feel a sense of mission when they believe in what they are doing.

# Mission Statement of a Health Care Organization

Intended to improve the general health and vitality
of the individual and the community




Action which removes the possibility
that a disease will ever occur

## Hospital Services Marketing

Marketing of services is a societal process by which individuals and groups obtain what they want and need. Services marketing is defined by the American Marketing Association as

Services marketing are the process of planning and executing the conception, pricing, promotion and distribution of services to create exchanges that satisfy individual and organizational goals. Coping with exchange processes call for a considerable amount of work and skill. Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. We see marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.

## Planning for marketing Hospital Services

The marketing professional serving the hospitals bear the responsibility of formulating an ideal plan so that the availability of marketing resources is in tune with the increasing social requirements and the recent developments in the medical sciences. The marketing professionals are supposed to estimate the requirements for the marketing inputs and further to make available the same in the form of quality healthcare services so that hospitals are found successful in serving the social interests of the community.

## Planning Process for Hospital Services

To carry out their responsibilities, Health care marketing managers – whether at the individual hospital level or individual medical service level – follow a marketing process. Working within the plans set by the levels above them

The Health care marketing process consists of analyzing the health care marketing opportunities; researching and selecting target markets; designing health care marketing strategies; planning health care marketing programmes; and organizing, implementing, and controlling the marketing efforts.

## Analysing the Health care marketing opportunities

The first task facing health care organization is to identify its potential long – run opportunities given in its market experience and core competencies. A health care organization may develop its existing service or it can use its core competency in planning and developing a completely new line of medical services.

To spot an opportunity and evaluating it, Health Care Services needs a reliable marketing research and information system. Health Care marketing research is an indispensable marketing tool for assessing Markets wants and behavior and market size. The marketing people can research secondary sources, run focus groups, and conduct telephone, mail and personal surveys. By analyzing the collected data, Health Care Service will gain a better picture of the size of each market opportunity.

Health care marketing research people gather significant information about the marketing environment Health Care Services microenvironment consists of all the players who affect the Health Care organizations ability to produce and deliver effective medical services – suppliers, marketing intermediaries, customers and competitors. Its macro environment consists of demographic, economic, physical, technological, political-legal and social-cultural forces that affect its operations. An important part of gathering environmental information includes measuring market potential and forecasting future demand.

Hospitals need to understand the consumer markets and find the viable answer to the following core questions (1) Who is our customer? (2) What is our customer looking for? (3) When does he want the service? (4) At what place does he want the service? (5) How often does he want the service? (6) At what price does he want the service? It needs a sales force that is well trained in presenting product benefits. Hospitals must also pay close attention to competitors, anticipating its competitors' moves and knowing how to react quickly and decisively. It may want to initiate some surprise moves, in which case it needs to anticipate how its competitors will respond.

Once the hospital has analyzed its market opportunities, it is ready to select target markets. Modern marketing practice calls for dividing the market into major market segments, evaluating each segment and targeting those market segments that the company can best serve.

### a) Who is the customer? Or who is in the market?

The answer may be quite simple but it is not so. Marketing analysis attempts to answer some of these subtle questions. Take for instance, the sale of medicine. The patient buys what is prescribed by a doctor. He makes the payment but the doctor decides what he should buy. A market consists of all individuals and institutions who are actual, potential or future users of hospital and diagnostic services. When we think of a market several factors or components has to be kept in mind. These are: the needs and wants of the market, the preference of the market, the size of the market and the purchasing power of the market. Before evolving any strategy purchasing power of the market. Before evolving any strategy a thorough evaluation has to be done. The factors which have to be taken into account are: the level of awareness, the income level, their education, the living standard of the community, their norms and beliefs, their expenditure pattern, different age group with numerical strength, their needs, wants, habits, expectations and value concepts. It is almost impossible to attract all the groups with one type of Services. Therefore, the hospital has to identify different groups and then design their services to match their needs and expectations. Each group has to be adequately satisfied so as to avoid a veto on acquiring your services. Many health care institutions fail to understand why people will not rush to avail their services since they have a vast infrastructure, modern outlook and quality services.

### b) What is the customer looking for?

As stated, the prime concern and interest of customer is to get satisfaction. A patient is more concerned about the results rather than being bothered with the procedures of the medical system. There is a need to focus our attention on the perceived value of a customer. What may be perceived as valuable to the people involved in delivering health care services may just turn out to be very ordinary for some and perhaps extraordinary for the others? It may so happen that

the people working within a health care set up are not aware of their own knowledge, skills and features of excellence which are attracting the customers.

## Developing Marketing Strategies

Suppose a health care service organization decides to focus on the consumer market and develop a positioning strategy. Should the Health Care service position its services as the "Cadillac" brand, offering a superior services at a premium price with excellent personification and strong advertising? Should it build a simple, low-price services aimed at more price-conscious consumers? Should it develop a medium-quality, medium-price services? Once he decides on its services positioning, it must initiate new-services development and launching.

After launch the services strategy will need modification at the different stages in the product life cycle: introduction, growth, maturity and decline. Furthermore, strategy choice will depend on whether the firm is a market leader, challenger, follower, or nicher. Finally, strategy will have to take into account changing global opportunities and challenges.

## Planning Marketing Programmes

To transform marketing strategy into marketing programs, the Health care marketing managers must make basic decisions on Health care marketing expenditures, Health care marketing mix and Health care marketing allocation. First, Health care services organization must decide what level of marketing expenditures will Health care Organization achieve its objectives. Health care organizations typically establish their marketing budgets as a percentage of the revenue goal. A Health care organization may spend more than normal in the hope of achieving a higher market share. Second, the Health care organization has to decide how to divide the total Health Care marketing budget among the various tools in the marketing mix: service, price, place, promotion, process, physical evidence and people.

Finally, he marketers must decide on the allocation of the marketing budget to the various services, channels, and promotion media and sales areas. How many Rupees should support HCS two or three service lines? Direct-mail advertising versus Hospital-magazine advertising? East Coast markets versus West Coast

markets? To make these allocations, marketing managers use sales-response functions that show how sales and profits would be affected by the amount of money spent in each application.

The basic marketing-mix tool is service – the firm's interest offering to the market, which includes the service quality, branding and packaging. As part of its service offering, he may provide various services, such as training. Such support services can provide a competitive advantage in the global marketplace.

A critical marketing-mix for Hospital service is price it has to decide on Direct and from, discounts, allowances, and credit terms. Its price should be commensurate with the offer's perceived value; otherwise, buyers will turn to competitors' products.

Place includes the various activities the company undertakes to make the service accessible and available to target customers. Health care must identify, recruit, and link various marketing facilitators to supply it's and services efficiently to the target market.

Health care Promotion includes all the activities the company undertakes to communicate and promote its Health care services to the target market. Health Care Services has to hire, train, and motivate salespeople. It has to set up communication and promotion programs consisting of advertising, sales promotion, public relations, and direct and online marketing.

**Physical Evidence:** Physical Evidence is the environment in which the service is delivered and where the firm and the customer interact, and any tangible commodities that facilitate performance are communication of services.

**Process:** All Work activity is process. Process involves the procedure, task, schedules, mechanisms, activities and routines by which a product or service is delivered to customer.

**People:** Most of the services are provided by people, the selection, training, and motivation of employees can make a huge difference in customer satisfaction. Ideally employee should exhibit competency, a carrying attitude, responsiveness, initiative, problem solving ability, and goodwill.

## Implementation and Control

The final step in the health care marketing process is organizing the marketing resources and then implementing and controlling the marketing plan. The company must build a Health care marketing organization that is capable of implementing the marketing plan. In a small, health care organization, one person might carry out all the marketing tasks. Divisions of large HCO such as Mayo/Apollo will have several marketing specialists: salespeople, sales managers, marketing researchers, advertising personnel, services and brand managers, market-segment managers, and customer service personnel.

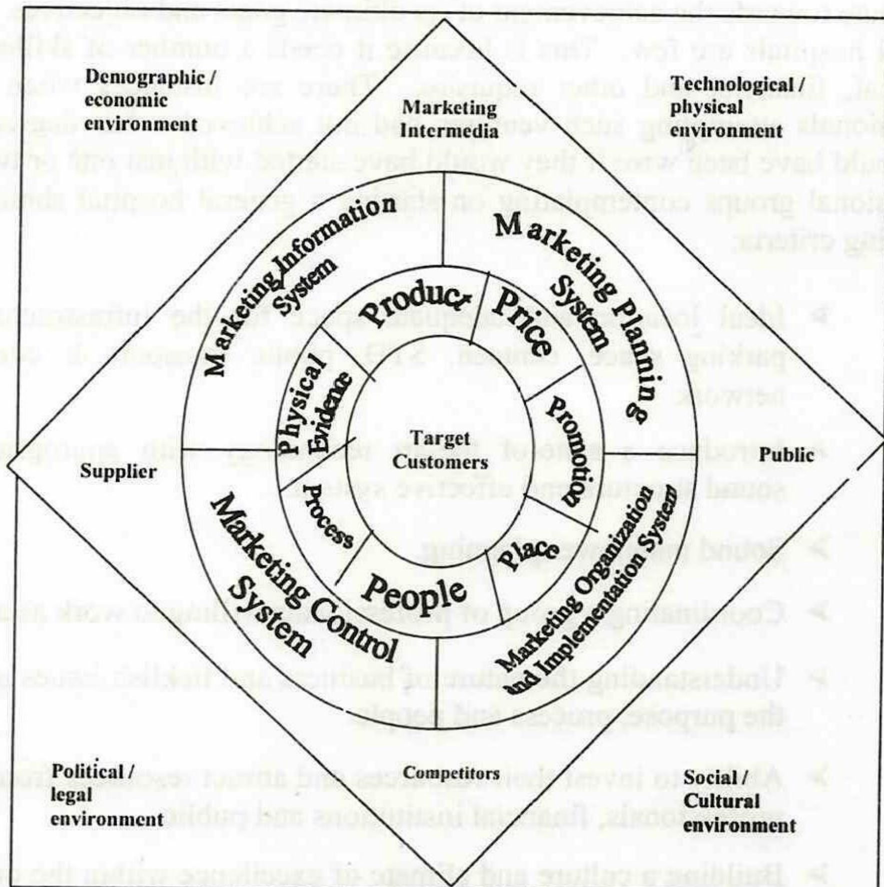
Health care marketing departments are typically headed by a marketing vice president who performs three tasks. The first is to coordinate the work of all the Health care marketing personnel. The second task is to work closely with the other functional vice presidents. The third is selecting, training, directing, motivating, and evaluating marketing personnel. Because of surprises and disappointments that can occur as marketing plans are implemented, the Health care organization needs feedback and control. There are three types of marketing control:

1. **Annual-Plan control** is the task of ensuring that the Health care organization is achieving its current sales, profits, and other goals. First, management must state well-defines goals for each month or quarter. Second, management must measure its performance in the marketplace. Third, management must determine the underlying causes of any serious performance gaps. Fourth, management must choose corrective actions to close gaps between goals and performance.

2. **Profitability control** is the task of measuring the actual profitability of services, customer groups. This is not a simple task. A company's accounting system is seldom designed to report the real profitability if different marketing entities and activities. Health care marketing profitability analysis measures the profitability of different marketing activities. Marketing efficiency studies try to determine how various marketing activities could be carried out more efficiently.

3. **Strategic control** is the task of evaluating whether the Health care organization marketing strategy is appropriate to market conditions. Because of rapid changes in the marketing environment, each company needs to reassess its marketing effectiveness periodically, through a control instrument known as the marketing audit.

**Pictographical representation of a grand summary of the marketing process and the forces shaping the Health Care organization marketing planning and strategy.**



## MARKET SEGMENTATION AND TARGET GROUP

Most hospitals would begin with a question: whether to have as many specialties under one roof or to start with just one or two specialty. Doctors with entrepreneurial skill find it hard to decide between the option as they re faced with public pressure to have as many specialties and at the same time being driven by their own ambition of becoming a corporate giant. This is a crucial decision and can have an adverse impact on the prospects of the venture. The question of satisfying more customers superficially or few customers intimately can be very puzzling. This will depend on the entrepreneurial. Social, professional skill of the promoter, his leadership style and the ability to attract as many co partners who can contribute towards the achievement of its ultimate goals and objectives. No wonder general hospitals are few. This is because it needs a number of skilled personnel, technical, financial and other requisite. There are instances when a group of professionals attempting such ventures had not achieved a fair degree of success and would have been wise if they would have started with just one or two specialty. Professional groups contemplating on starting a general hospital should fulfill the following criteria:

- Ideal location and adequate space for the infrastructure such as: parking space, canteen, STD, public transport & communication network.
- Introduce a state-of the-art technology with appropriate strategy, sound structure and effective system.
- Sound manpower planning.
- Coordinating a group of professionals willing to work as a team.
- Understanding the nature of business and ticklish issues attached with the purpose, process and people.
- Ability to invest their resources and attract resources from colleagues, professionals, financial institutions and public.
- Building a culture and climate of excellence within the organizational set up.
- Take a realistic view of the prevailing situation and adopt a professional approach.

Hospitals can take up one specialty, several specialty or super-specialty. The management will have to make the choice based on the market research. Then it will have to think hard on the users who are widely scattered and heterogeneous in their consumption pattern. Instead of competing as an all rounder and against so many odds, it would do better by identifying one area of need with distinct customer group which it can serve more effectively. This can be viewed under two different focus of market analysis: market segmentation and target market. Market segmentation is a subdivision of market into distinct and meaningful subsets of consumers who deserve a distinctive programme and by putting in the necessary efforts the hospital will have a meaningful gain. The other is on the target market which involves in evaluating, selecting and focusing on the market segment which it can serve effectively.

The concept of market segmentation arose due to growing expectation of the clientele and intensive competition. Unlike in the earlier days when people availed whatever services were available from the nearby hospitals. And this was acceptable and appreciated as there was not much difference in the cost and variations in the services. ***The growing awareness, rising expectations, and intensive competition have brought about differentiation, special features and search for uniqueness in the health care delivery system.*** The concept of market segmentation in the health care is fairly helpful to formulate good strategies. It begins with distinguishing customer groups and needs. The provider of health care services can prosper by developing an attractive offer for a specific market segments whose needs are not fully met or satisfied. This is an extremely powerful and prospective concept in an era of fierce competition. Hospitals should exercise a degree of caution in imitating certain features of other institutions as this could possible retard its creativity and innovation, which is crucial in a competitive environment.

Consumers normally differ in size, location, expectation, paying capacity and behavioral pattern. Any of these variables can make a difference in attracting consumers to a hospital's infrastructure to effectively serve that group of consumer. The maximum number of segments that market can have will by and large depend upon the users making up that market. In a way, each user is potentially a separate market because of unique needs and unfulfilled desire. The providers should study the user's pattern to devise the best marketing programme tailor-made to meet their requirement in actual practice, the provider identifies a broad class who require

different treatment and who are susceptible to such kind of services, income and age factors both account for differentiating user's preference for a particular hospital. The provider may even find it convenient to break down the market according to joint characteristics. As the process of segmentation goes on the provider achieves precision at the cost of increasing the number of segments and decreasing the number of users. We are now witnessing a new segment by population dynamics. The retired group, his middle aged group, the young adult group and the working wives may all emerge as a distinct segment which will compel the marketing experts to re-write and update new segments more frequently.

How does the provider know which variables to apply in succession to the market? The answer lies in interviewing a good number of consumers by putting across relevant questions. Based on the data provided they should discover and list down the hierarchy of variables indicated by the users on their final choice. ***Market segmentation is a process of creative search to identify and determine the most useful variables. The market oriented variables are the customer's service requirement and their response to marketing stimuli.*** These variables form an integral part of segmentation and can be divided into four broad categories:

**GEOGRAPHIC:** Region, district size, city, density and climatic factors.

**DEMOGRAPHIC:** Age, sex, family size, income, occupation, education, race, religion, social class etc.

**PSYCHOGRAPHIC:** Life style, personality, nature and character

**BEHAVIOURISTIC:** Purchase occasion, cost-benefit analysis, consumers status, loyalty, frequency awareness and interest. Market sensitivity: quality, price, after sales service etc.

To effectively segment a market the characteristics of measurability, accessibility, substantiality and actionability would be useful. Markets are made up of segments which differ in its qualitative and quantitative attraction from provider's point of view. With the limited resources at hand a hospital must identify which segment it can serve the best in terms of segment preferences, patterns of competition and the present available strength. Having analyzed the market, hospitals can sharpen up its pricing, promoting and delivery policy to give an optimum performance in the segmented target market. Market Segmentation provides three distinctive advantages:

- They are in a better position to identify and compare the available opportunities.
- They can make suitable adjustments of their services.
- Develop programme based on clear ideas of the response of that market segments.

After segmentation its market, hospitals have to focus their attention on the target market. Based on the market structure they have to decide from one of the broad strategies. These can be classified as: differentiated and undifferentiated marketing.

| DIFFERENTIATED MARKETING | UNDIFFERENTIATED MARKETING |
|---|---|
| Recognizes two or more segments with separate marketing program for each | Does not recognize different market segments and chooses one type of services required by a good majority. |
| Offers marketing variations to attain higher sales and deeper position within each segment | Offer its service based on the common needs of the general users. |
| Its services are designed to match people's purse, purpose and personality. | Designs its service for one large segment which appeals to a large number of people. |
| Doesn't require much publicity as the services are given to match a particular class or group in a manner which appeals to them. | Relies heavily on advertisements and publicity because the service provided is general. |
| Increases the running cost of business like: System design, modification inventory, promotion and administrative cost. | Operational cost are much economical |
| Competitors are few | Attracts heavy competition |

There is yet another marketing strategy popularly known as concentrated marketing. Under this concept health care business doesn't have to go after the whole market; instead it goes after a large share of one or two submarkets. In other words, it doesn't spread it s wing all over the market place, it just concentrates to gain a good position in an area or two. Instances of these are: Sonography & X-Ray centre, pathology centre, eye test centre, physiotherapy and so on.

The choice between these strategies is crucial and has to be based on hard facts and market research rather than guesswork. There are however, broad guidelines which will help in constraining and narrowing down the actual choice. They are classified as: the organizational resources, homogeneity of services, competitive situation and market homogeneity. Where the resources of the organization are scare and limited it has no option other than to go in for a concentrated marketing. Undifferentiated marketing is suitable for homogeneous type of services but where the services have a high degree of variations it is better to

adopt the strategy of differentiation. If the consumers have similar tastes and reactions using with same frequency at a given period, competitors are actively segmenting the market a hospital or a diagnostic centre cannot compete through undifferentiated strategy, through they can gain substantially by following active segmentation even if one or more factor favour it.

The problem faced by all the health care institutions that are segmenting is to estimate the value of operation in each segment. Those following differentiated marketing must know this for allocating its marketing efforts on various segments. It must be concluded that no particular strategy is superior in all the circumstances and much will depend on its resources, homogeneity of services, market homogeneity and the competing strategies. Hospitals will be wise to analyze the worth of different market segments as a pre condition for selecting its target market.

## MARKETING MANAGEMENT FOR SERVICES: EXPANDING THE MARKETING MIX

Service marketing managers have found that the traditional four P's of marketing are inadequate to describe the key aspects of the service marketer's job. The traditional marketing mix is said to consist of the following elements of the total offering to consumers; the product (the basic service or good, including packaging attendant services, etc.,) its price, the place where the product is made available (or distribution channels – not generally a real issue for most services, except perhaps for repair and maintenance), and promotion (marketing communication: advertising, public relations, and personnel selling). Some marketers suggest that the unique requirement of selling services require the manager attend to three additional P's. These are people, physical evidence, and process.

**People**

Many services require personal interactions between customers and the firm's employees, and these interactions strongly influence the customer's perception service quality. For example, a person's stay at a hotel can be greatly affected by the friendliness, knowledge, ability, and helpfulness of the hotel staff-in most cases the lowest – paid people in the organization. One's impression of the hotel and willingness to return are determined to a large extent by the brief encounters with the front-desk staff, bellhops, housekeeping staff, restaurant wait-staff, and so on, many of which take place outside the direct control of hotel supervisors and managers. Therefore, management faces a tremendous challenge in selecting and training all of these people to do their jobs and to make and extra effort to serve their customers. After all, these employees must believe in what they are doing and enjoy their work before they can, in turn, provide good service to customers.

For this reason, human resources management policies and practices are considered to be of particular strategic importance for in delivering high-quality services. Establishing a customer-oriented culture throughout the firm and empowering employees to provide quality service cannot be established merely by putting up inspiring posters. Management leadership, job redesign, and systems to reward and recognize outstanding achievement are among the issues that a successful service manager must address. The term "internal marketing" has been coined to characterize the sets of activities a firm must undertake to woo and win over the hearts and minds of its employees to achieve service excellence.

The "people" component of the service marketing mix also includes the management of the firm's customer mix. Because services are often experienced at the provider's facilities, one's satisfaction with a service can also be influenced by other customers who are being served there. Ill-mannered restaurant customers at the next table, crying children in a nearby seat on an airplane, and commercial bank customers whose lengthy transactions take up the teller's time are all examples of unpleasant service conditions caused by a firm's other patrons. On the other hand, the right mix of customers can greatly increase the enjoyment of experience-for example, at entertainment services, such as night clubs or sporting events. Determining the desirable customer mix for a service, segmenting the market into compatible groups, and managing customer arrivals to avoid conflict and enhance the service experience are essential components of service management.

## Physical Evidence

This element of the expanded marketing mix addresses the "tangible components of the service experience and firm's image referred to earlier. Physical surroundings and other visible cues can have a profound effect on the impressions customers form about the quality of the service they received. The "services cape" – that is, the ambience, the background music, the comfort of the seating, and the physical layout of a service facility-can greatly affect a customer's satisfaction with a service experience. The appearance of the staff, including clothes and grooming, may be used as important clues. Promotional materials and written correspondence provide tangible evidence of the firm's professionalism. To the extent that these elements provide reassurance, they can be incorporated into the firm's marketing communications to help reduce customer anxiety about committing to the purchase. Service firms should design these items with extreme care, since they will play a major role in influencing a customer's impression of the firm. In particular, all physical evidence must be designed to be consistent with the "personality" that the firm wishes to project in the marketplace.

## Process of Service Production

Because customers are often involved in the production of services, the flow and progress of the production process is more important for services than it is for goods. A customer who buys a television set is not particularly concerned about the manufacturing process that made it. But the customer at a fine restaurant is not interested merely in the end result-the cessation of hunger. The entire experience of arriving at the restaurant-of being seated, enjoying the ambiance, ordering, receiving, and eating the meal-is important. The pace of the process and the skill of the providers are both apparent to the customer and fundamental to his or her satisfaction with the purchase.

The importance of the process is true even for less "sensual" experiences. A customer who applies for a loan at a bank evaluates the purchase not only by the amount of the loan received and the interest rate paid. The speed and sensitivity of the approval process, the interaction with bank officers, the accuracy of bank statements, and the ease of getting redress if mistakes are found all affect the person's attitudes about doing furthers business with the bank and his or her willingness to recommend it to others.

Therefore, when designing service production processes, particular attention must be paid to customer perceptions of that process. For this reason, marketing and operations are closely related in service management.

## Elements of Marketing-Mix in Health care Organization

### Product Mix

We are well aware of the fact that modern hospitals offer a number of services, such as core services, supportive services, peripheral services and the preventive services. It is an important functional responsibility of a healthcare manager to make it sure that whatever the services profile/product profile they develop bears the potentials of satisfying the users. How to make it possible is determined by the emerging trends in the medical sciences vis-à-vis the advancement in communications. Since we find formulation of a sound product mix a managerial process of mixing different types of services in the profile, it is quite natural that the process is substantially influenced by the scientific inventions and innovation.

The formulation of product mix or development of product profile for hospitals and healthcare organizations thus makes it essential that you have blended the different dimensions optimally. Accreditation carries no meaning, professional excellence becomes of no use, if the patients and attendants feel that doctors or other Para-medical staff have been playing the role of a blood sucker. Thus the formulations of a sound product profile are the health care organizations functional responsibility and are supposed to perform excellently. Like other organizations, it also bears the responsibility of satisfying the customer /users/patients and this makes it significant that your product profile is of world class. Of course, you need more frequency in the innovation process but with this feeling that services are made affordable because we find the poor audience also.

## Promotion Mix:

It is not only significant that you perform well. It is much more impact generating that your customers/ patients realize your constructive and positive contributions and this realization would make the ways for promotion. You offer would class healthcare services to your patients; you are not only sympathetic to them but also show empathy; you not only offer time-honored services but your services are affordable too but unless these positive contributions of your organization reach to the potential customers; your task of promoting the health care business is found much more complicated. It is against this background that an organization requires to adopt creative promotional measures to inform and sense; motivate and influence the publics at large because prospects of today are the customers of tomorrow. Like other organizations, the hospitals and healthcare organizations also need to promote and this makes it essential that they make sincere efforts, and show professional excellence in synchronizing the different constituents of promotion.

With the passage of time, a number of promotional measures have been included in the list which has raised the promotional budget of all the organizations promoting in a right fashion. But in the context of healthcare organizations, you bear the responsibility of increasing the effects and optimizing the costs so that the services remain affordable to the masses. This complicates the functional responsibility of a healthcare manager. How to blend the different constituents of promotion so that the prospects are sensitized but the costs remain proportionate is a challenging task which you need to perform efficiently and effectively.

There are a number of components of promotion, such as advertising, publicity, sales promotion, personal selling, word-of-mouth promotion and telemarketing.

**Price Mix:**

In the Indian perspective where a number of persons are found below the poverty line, the formulation of a price mix is found to be a challenging task. A hospital manager on the one hand bears the responsibility of making the healthcare services affordable while on the other hand they are also supposed to open new vistas for the development of hospitals healthcare organizations. Setting a balance between the two opposite considerations requires world class professional excellence. It is against this background that we go through the problem of formulating a sound price mix for the healthcare services. Quality services need expensive inputs and for which a hospital is required to be finally sound. Thus a hospital manager requires professional excellence so that we find hospitals/healthcare organizations thriving significantly to cater to the increasing healthcare requirements of the society.

The defined principles of social marketing make it essential that hospitals and healthcare organizations are given an opportunity to thrive so that they enrich their potentials of bearing the social costs on account of free of charge services to the poorest of the poor. It is against this background that modern hospitals need an innovative pricing strategy. The fee strategy for hospitals, private or public, should be income-based.

**Place Mix:**

In the healthcare services, the place mix draws our attention on two important dimensions, viz., first the location points for hospitals and second the process of offering the services. The location point for hospitals assumes a place of significance because it is related to the time-honored availability of services and the task is found much more complicated if we find hospitals not having a convenient accessibility. Since the hospitals/emergency services are round –the-clock available, it is important that the commuting facilities are easily available so that emergency or even general patients and attendants or visitors don't fact problem. In addition to the convenient location, it is also important that hospital is not located at a point or place found hazardous to health. The hospital planners, architects and consultants would help you in coming to a right conclusion but one thing that you need to remember is trouble –free location. Since the patients are also supposed to stay for a long time and therefore Hospitals must make all the required arrangements.

Another dimension of place mix is related to the offering of healthcare services in a decent way. This gravitates out attention on the behavioral profile of the personnel in general and the front-line-personnel in particular. Being a manager, you bear the responsibility of satisfying the users and if the personnel start misbehaving. We find a gap between the services-ensured and services-offered. The personnel serving hospitals/healthcare organizations need not forget that in addition to the quality of services, the behaviors dimension is also an important part of quality healthcare services. While offering or processing the services; they need to remember processing.

**Process**

A degeneration in the behavioral profile of hospital personnel necessitated the formulation of separate mix for the processing of time honored services and decent behavior. To be more specific in some government hospitals we find the problem of indecent behavior by almost all the categories of personnel and it is against this background that the managements experts feel to assign due weight-age to the processing of services. This draws our attention on the knowledge of behavioral management of the different echelons of management or other personnel. It is, of course, significant that you offer to the patients the promised quality of services but it does not mean that you are not aware of the terminologies. "Sympathy", "empathy", "humanity" or so. It is felt that an in-depth knowledge of behavioral management to the hospital personnel would pave ways for decent behavior. To be more specific the front-line-staff like receptionists, nurses and Para-medical staff require huge amount of orientation on proper behaviour.

A hospital manager/superintendent is required to bridge over the gap between the services-ensured and services-offered and this is not possible unless we find a full team of hospital personnel coordinating each other to make possible good-patient care.

**Physical E**

The dress code used by the hospital personal narrates the culture of their spital for which they work. The professional requirements, situational hitations, circumstantial compulsion, cultural barriers are some of the important nsiderations influencing the nature and type of dresses used by us. The main ing in the process is to look smart and active and influencing the attitudes of sers/ customers / patients / attendants prospects in a positive fashion. The core services generate attraction; your peripheral service generates additional attraction but a physical environment is linked to both. Unless one generate additional ambiance in the physical environment, unless you differentiate yourself unless you distinct your hospitals; the customer / patients would not be motivated, it is a fact that quality of healthcare services is a motivating factor but in addition if one makes sincere efforts to generate a better physical environment the task of establishing an edge, the task of increasing market share, the task of excelling competition, the task of establishing leadership would be fulfilled. These facts make it clear that physical environment is an important sub mix in marketing health care services.

**People**

Of late we find people mix occupying a place of special significance in almost all the organizations. In the healthcare services, we find people playing a commanding role. There is no doubt that despite of innovative bio-medical equipment, apparatus, instrumentation machines and robot, the techniculture becomes ineffective in establishing work culture if the people lack professionalism. It is against this background that we find developing the excellence of people is an important task before the management of almost all the organizations. In the formation of marketing mix, the instrumentality of people mix has gained significance because the top-level managers and the boardrooms based on their experiences have come to this conclusion that people serving an organization need top priority on your development agenda.

The formulation of a sound people mix particularly for hospitals or healthcare organizations makes it essential that they have professionally - sound people, personally-committed people, value-based people who not only play a commanding role in accomplishing the organizational objective but contribute significantly to the fulfillment of organization mission.

The most important task before a hospital manager is to develop a healthy and harmonious relationship with the employees to create a family and friendly feeling, a sense of belonging in the minds of employees, a feeling that employees and managers share.

A hospital manager bears a challenging task of making the process of generating and processing the health care services cost effective so that the services are found affordable even to the weaker sections of the society. Not only this, he/she also needs to make hospitals and healthcare organizations a centre of excellence found very much effective in promoting research and innovating the diagnostic and treatment measures to counter the multifaceted challenges before the healthcare sector.

In view of the aforesaid facts, it is right to say that people mix of organizations in general and hospitals or healthcare organizations in particular need an overriding priority and in addition to a healthcare manager, the boardrooms or the policy makers also need an attitudinal change. It is in this context that we find management experts promoting the new perception of "Quality People" that requires a fair blending of professional excellence and personal-commitments.

## QUESTIONS

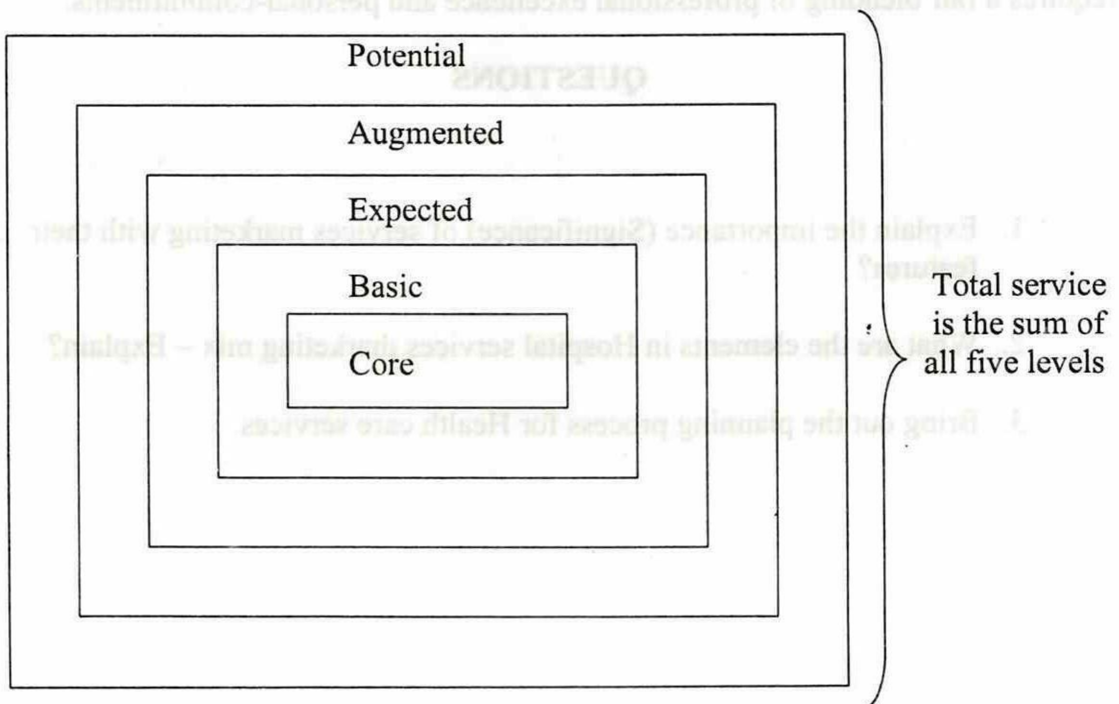
1. Explain the importance (Significance) of services marketing with their features?
2. What are the elements in Hospital services marketing mix – Explain?
3. Bring out the planning process for Health care services

# UNIT II

## SERVICE PRODUCT MIX

A Service is anything that can be offered to satisfy a want or need. Products that are marketed include the hospital services also.

Service level: The marketers need to think through 5 levels of the services. Each level adds more customer value; the 5 constitute a customer value hierarchy. The most fundamental benefit of the service being core benefit. The second level the marketers has to turn the core benefit into tangible items and concepts. At the third level the marketers prepares an expected service. At the forth level the marketers prepares an augmented service and finally a marketer must design the potential service.



| Service level | Customer's view | Marketer's view | Example of Health Services |
|---|---|---|---|
| Core Service | Customer's generic need which must be met | Basic benefits which make product of interest | Healthy Life, Free of illness |
| Basic Product | | | Building, Equipments, Laboratories, Physicians |
| Expected Service | Customer's minimal set of expectations | Marketer's product decisions on tangible and intangible components | Attached Radiology, Laboratories and Pharmacies to the Hospital |
| Augmented Service | Seller's offering over and above what customer expects or is accustomed to | Marketer's other mix decisions on price, distribution and promotion | 1. Freedom from Physiological and Psychological Pressure to the Patients. 2. Amicable association between the patients and the physicians |
| Potential Service | Everything that potentially can be done with the product that is of utility to the customer | Marketer's actions to attract and customers regarding changed conditions or new applications | Complicated Electro-Microscopic Surgery performed by intellective Robots |

**Service product mix**

A service product mix (also called service assortment) is the set of all services and items that a particular healthcare service organization offer for sale.

**Service-mix in healthcare organization**

We find four main types of hospital services product such as *medical services, medical training, medical education and medical research*. In the group of medical services we find one services considered to be the core service of the hospitals. In addition we find supportive services helping core services such as central sterile supply, laboratory, radiology, nursing, diet laundry. Besides we also find auxiliary services such as registration, indoor case records, stores and issue, transport, mortuary, engineering

**Medical Service**

**1. Line services**

In group of line services we find emergency services, outpatients' service, inpatients services, Intensive care and operations, all these services are considered to be the key services of any hospitals.

**2. Supportive Services**

For the generation of effective core services it is pertinent that we also take care of the supportive services. It is right to mention that sterilization is an important wing of hospital requiring due care.

a) Laboratory – it plays an important role in the diagnoses and therefore all the wings in hospital need their services.

b) Radiology – Radiology happens to be the specialized supportive service. As diagnoses and therapeutic arm of the hospital, we find radiology service playing an important role.

c) Nursing – It is vital part of the hospital service without which it is difficult to offer the Medicare and healthcare service.

d) Food and beverages – It plays a significant role in the quick recovery of patients. It is against this background that we talk about catering services.

**3. Medical Education**

Hospital personnel play a contributory role in improving the quality of healthcare services. Secondary and Tertiary hospitals are found engaged in developing hospital personnel's of different categories

**1. Medical Training**

In this context we deal with development of training facilities to the student as well as to the medical and paramedical personnel. The training program may be short or long term, for senior or junior doctors, for paramedical staff. It may also be for regular students or for trainees. The main aspect is to make available to the personnel the excellence they need to perform extraordinarily.

**5. Medical Research**

Development process can not remain static. Scientific advancements make the ways for new developments, whatever developments we find in the medical science the tertiary hospitals, healthcare institute and Indian council for medical research, Universities are the different source for promoting research. The council for scientific and industrial research is also found engaged in undertaking research.

**The key areas for research are:**

1. Immunodiagnostic test for common infections

2. Development of new drugs, for treatment of common infection in view of the increasing resistant to antibodies.

3. Development, testing and quality control of new drugs.

4. New drug delivery system for better healing of illness and reduction in the side effects.

## STAGES IN NEW SERVICE DEVELOPMENT

The basic principles and steps in new service development. Although these may be similar to those for manufactured goods, their implementation is significantly different. An underlying assumption of new product development process models is that new product ideas can be dropped at any stage of the process if they do not satisfy the criteria for success at that particular stage. That precedes critical stages of the development process. The checkpoints specify requirements that a new service must meet before it can proceed to the next stage of development.

New service or product development is rarely a completely linear process. Many companies are finding that to speed up new service development, some steps can be worked on simultaneously, and in some instances a step may even be skipped. The overlapping of steps and simultaneous development of various pieces of the new service/product development process has been referred to as "flexible product development. Even if the stages are handled simultaneously, however, the important checkpoints must be passed along the way to maximize chances of success. The process is divided into two sections; front-end planning and implementation. The front end determines what service concepts will be developed, whereas the back end executes or implements the service concept. When asked where the greatest weaknesses in product and service innovation occur, managers typically report problems with the "fuzzy front-end. The front end is called "fuzzy" because of its relative abstractness, which is even more apparent with service than with manufactured products.

Clearly a first step in new service development is to review that vision and mission. If these are not clear, the overall strategic direction of the organization must be determined and agreed on. The new services strategy and specific new service ideas must fit within the larger strategic picture of the organization.

| | **Markets** | |
|---|---|---|
| **Offerings** | Current Customers | New Customers |
| Existing Services | Share building | Market development |
| New Services | Service Development | Diversification |

Thus a product portfolio strategy and a defined organizational structure for new product or service development are critical-and are the foundations-for success.

The types of new services that will be appropriate will depend on the organization's goals, vision, capabilities, and growth plans. By defining a new service strategy (possibly in terms of markets, types of service, time horizon for development, profit criteria, or other relevant factors), the organization will be in a better position to begin generating specific ideas. The framework allows an organization to identify possible directions for growth and can be helpful as a catalyst for creative ideas. The framework may also later service as an initial idea screen if, for example, the organization chooses to focus its growth efforts on one or two of the four cells in the matrix. The matrix suggests that companies can develop a growth strategy around current customers or for new customers, and can focus on current offering or new service offerings.

**Idea Generation**

The next step in the process is the formal solicitation of new ideas. The ideas generated at this phase can be passed through the new service strategy screen described in the preceding step. Many methods and avenues are available for searching out new service ideas. Formal brainstorming, solicitation of ideas from employees and customers, lead user research, and learning about competitors' offerings is some of the most common approaches. Observing customers and how they use the firm's products and service can also generate creative ideas for new innovations. Sometimes referred to as empathic design, observation is particularly effective in situations where customers may not be able to recognize or verbalize their needs.

In service businesses, contact personnel, who actually deliver the services and interact directly with consumers, can be particularly good sources of ideas for complementary services to those already in the marketplace and ways to improve current offerings.

**Service Concept Development and Evaluation**

Once an idea surfaces that is regarded as a good fit with both the basic business and the new service strategies, it is ready for initial development. In the case of a tangible product, this would mean formulating the basic definition and then presenting consumers with descriptions and drawings to get their reactions.

The inherent characteristics of services, particularly intangibility and simultaneous production and consumption, place complex demands on this phase of the process. Drawing pictures and describing an intangible service in concrete terms are difficult. It is therefore important that agreement be reached at this stage on exactly what the concept, is. By involving multiple parties in sharpening the concept definition, it often becomes apparent that individual views of the concept are not the same.

**Business Analysis**

Assuming the service concept is favourably evaluated by customers and employees at the concept development stage, the next step is to determine its feasibility and potential profit implications. Demand analysis, revenue projections, cost analyses, and operational feasibility are assessed at this stage. Because the development of service concepts is so closely tied to the operational system of the organization, this stage will involve preliminary assumptions about the costs of hiring and training personnel, delivery system enhancements, facility changes, and any other projected operations costs.

The organization will pass the results of the business analysis through its profitability and feasibility screen to determine whether the new service ideas meets the minimum requirements.

**Implementation**

Once the new service concept has passed all of the front-end planning hurdles, it is ready for the implementation stages of the process. When a large stage hospital was planning a new computer-based information service for doctors throughout its state, it involved many groups in the service development and evaluation stage, including medical researchers, computer programmers and operators, librarians, telecommunications experts, and records clerks as well as the physician customers.

The final step is for each area involved in rendering the service to translate the final blueprint into specific implementation plans for its part of the service delivery process. Because service development, design, and delivery are so intricately intertwined, all parties involved in any aspect of the new service must work together at this stage to delineate the details of the new service. Again, the standard approach for a new manufactured product is typically not possible for a new service due to its inherent characteristics. Because new service offerings are often intertwined with the delivery system for existing services, it is difficult to test new services in isolation. And in some cases, such as a one-site hospital, it may not be possible to introduce the service to an isolated market area because the organization has only one point of delivery. There are alternative ways of testing the response to marketing mix variables, however. The new service might be offered to employees of the organization and their families for a time to assess their

responses to variations in the marketing mix. While this approach certainly has limitations compared with an actual market test, it is better than not assessing market response at all. There is simply no substitute for a proper rehearsal when introducing a new service. In the case of the discount brokerage service described earlier, a pilot test was run by offering employees a special price for one month. The offer was marketed internally, allowing the bank to observe the service process in action before it was actually introduced to the external market.

At this stage in the process, the service goes live and is introduced to the marketplace. This stage has two primary objectives. The first is to build and maintain acceptance of the new service among large numbers of service delivery personnel who will be responsible day to day for service quality. The task is made easier if acceptance has been built in by involving key groups in the design and development process all along. However, it will still be a challenge to maintain enthusiasm and communicate the new service throughout the system; excellent internal marketing will help.

The second objective is to monitor all aspects of the service during introduction and through the complete service cycle. At this point, the information gathered during commercialization of the service can be reviewed and changes made to the delivery process, staffing, or marketing mix variables on the basis of actual market response to the offering.

No service will ever stay the same. Whether deliberate or unplanned, changes will always occur. Therefore, formalizing the review process to make those changes that enhance service quality from the customer's point of view is critical. The service blueprint serves a valuable purpose in providing a focal point for discussing and planning changes in the offering.

Let us examine classical case of how cordis corporation, medical device manufacturer in Florida developed a product called stent that could be placed in treated artery to prevent a blockage from recurring. In the year 1996, Johnson and Johnson acquired cordis at dollars 109 per share. Here's the process cordis used to invent stent.

**Step – 1**

**Plan outcome – based customer interviews**

Cordis began by defining each aspect of the angioplasty process. Simply stated, this included inserting the catheter into an artery, placing the balloon at the lesion or blockage, opening the artery by inflating the balloon, and then removing the catheter from the patient.

Once you define the process, carefully select which customers will participate: It's important to narrow interviewees to specific groups of people directly involved with the product. Open the interviews to too wide a group-distributors, retailers, stakeholders, sales people, and so on-and you end up with extraneous information that can complicate the research effort and lead your company astray. Cordis, for example, chose to interview customers who could judge the value of its product from a user standpoint and from a cost perspective-cardiologists (who perform the, procedure), and hospital administrators (who focus on financial issues).

It's also important to select the most diverse set of individuals within each customer type. The more diverse the group, the more complete the set of unique outcomes that is captured. In Cordis's case, interviewees included both cardiologists that performed many angioplasty procedures each month and those who performed only a few. The company also sought to include cardiologists in varying age groups and from different parts of the country, as well as doctors who belonged to HMOs and those who did not.

**Step-2**

**Capture desired outcomes.**

Capturing desired outcomes requires a moderator who can distinguish between outcomes and solution and can out vague statements, anecdotes, and other irrelevant comments. The moderator digs beneath the surface of customers' words – clarifying and validating the statements-and makes sure participants consider every aspect of the process or activity they go through when using a product or service.

The moderator also asked them to describe how the procedure would ideally be performed, baring any technological limitations. The participants then talked freely about each step in the angioplasty process; the moderator made sure all the steps were covered in detail.

Most interviews begin with participants ratting off statements or adjectives in the form of loosely stated ideas or solutions. Such statements offer a starting point for capturing outcomes. During the Cordis interviews, for example, cardiologists told the moderator they wanted a balloon that was "easy to maneuver", "smooth", and "stiff". They also requested several solutions such as a "thinner balloon" and a "coated guide wire". Nurses said they wanted the device to be "brightly packaged" and "easy to open".

After the moderator captures a handful of these statements and adjectives, he or she translates each one into a desired outcome. A well-formatted outcome contains both the type of improvement required (minimize, increase) and a unit of measure (time, number, frequency), so that the outcome statement can be used latter in benchmarking, competitive analysis and concept evaluation. The moderator addresses one statement at the time rephrasing it to be free from solutions – words that incorrectly describe specification or constraint or ambiguities. Then the moderator confirms the translations with the participants to eliminate guess work after the interview ends.

**Step - 3**

**Organize the outcomes**

Once the interview are complete researches make a comprehensive list of collected outcomes, removing duplicate and categorizing outcomes into groups that correspond to each steps in the process.

Cordis categorized its outcomes into the four groups that comprise the Angioplasty process: Making an insertion, placing device at the lesion, opening the artery, and removing device from the patients.

The final lists for cardiologists, nurses, and administrator each contained between 30 and 45 outcomes. After reviewing the list one cordis manager commended that this was the first time he had seen such useful customer information documented in one location.

**Step – 4**

**Rate outcomes for importance and satisfaction**

Once you have a categorized list of outcomes you must conducted quantitative survey in which the desired outcomes are rated by different types of customers. Survey participants are ask to rate each outcome in terms of its importance and the degree to which the outcome is currently satisfied. The ratings are fed into mathematical formula, revealing the relative attractiveness of each opportunity.

**Step – 5**

**USE THE OUTCOMES TO JUMP-START INNOVATION**

The final step entails using the data to uncover opportunity areas for product development, market segmentation, and better competitive analysis. The data are also used to formulate concepts and to evaluate the potential of alternative concepts.

Cordis identified several new product opportunity areas. The outcomes that customers deemed most important and were least satisfied with-such as "minimize

the recurrence of a blockage" – represented the greatest opportunity areas. Those of lesser importance and that were reasonably well satisfied existing . . . . Pursuing. The survey results also allowed Cordis's engineers to understand the "natural order" of segmentation in the angioplasty balloon market. For example, the company discovered that one group of surgeons valued precision and accuracy in balloon placement; another group of valued the speed at which they could complete the procedure. Recognizing these differences. Cordis created a set of products that satisfied the desired outcomes of each group. The new products helped the company to dominate each of those segments – segments that its competitor never knew existed, having divided their own markets according to artificial, less relevant classifications such as price point, business size, or geography.

Before brainstorming new product ideas Cordis used the interview data to define its desired competitive position. For example, Cordis could see from the research data that the frequency of restenosis was a competitive weakness throughout the industry. The company set itself a target of reducing restenosis to 20% It conducted a similar analysis on several other areas of opportunity, defining aggressive target values that would give Cordis a competitive position that was unique from its competitive and valued by its consumers.

With the target values in place, Cordis had a framework for concept generation. The R&D tea, went to work, systematically formulating more than a dozen product concepts, Engineers devised stiffer distal tips for quicker entry, added markings for better tracking, and developed new materials that improved maneuverability. Cordis also devised a stent that was successful in achieving the goal of reducing . . . . . . . . . .

Lastly Cordis managers evaluated each product concept to determine the degree to which it satisfied each outcome. They found that the improvement over competitive offerings would be 30% or more in most products. Cordis also abandoned development on certain products as it was clear from the data that they would be of minimal value to customers. For example, one angioplasty product that focused on maximizing blood flow while the balloon was inflated was dropped because that outcome was already satisfied and near the bottom of the prioritized opportunity list. Confident that they were on the right track, Cordis moved forward with a new product portfolio – and achieved market gains that far exceeded the company's expectations.

The results of using the outcome based methodology speak for themselves. Between 1994 and 1995, Cordis introduced 12 new angioplasty catheters and saw its market share in interventional cardiology grow from less than 1% to nearly 10% in the United States; market share approached 18% in Japan, 20% in Europe and 30% in Canada. Net sales shot up 30%, and the company's $50 million cash position allowed it to reach into new markets.

As the Cordis story shows, coming to an understanding of what customer's value is a far more fruitful exercise than merely asking them to submit their own solutions. The process of innovation begins with identifying the outcomes customers want to achieve; it ends in the creation of items they well buy. When desired outcomes become the focus of customer research innovation is no longer a matter of wish fulfillment or serendipity; it is instead a manageable, predictable discipline.

**Development of New Hospital Services:**

**Service modification**

Hospital service managers try to stimulate sales of the service by modifying the services characteristics through quality improvement, feature improvement or style improvement.

**Quality improvement:**

It aims at increasing product functional performance

**Feature improvement:**

It aims at adding new features (eg: size, weight, materials, additives, accessories)

**Style improvement:**

It aims at increasing the hospital services **aesthetic appeal.**

Example of services modifications in the healthcare business.

1. Let us examine the modification of an X-ray machine. Today we have the technology to invent a portable, low intensity X-ray machine that can be wheeled between offices on a small cart. This X-ray machine creates images of such clarity that pediatricians, interns, and nurses can detect cracks in bones or lumps in tissues sitting in their offices, not in hospital. It works through patented nanocrystal process which uses night – vision technology borrowed from the military, at 10% of the conventional X-ray machine, without the service of a professional radiologist.

2. An English entrepreneur has developed system for customizing eye glasses quickly and efficiently. The patients puts on pair of eye glass with seemingly flat buses and an odd – looking rubber bulb attached to each stem looking at a vision test chart and covering one eye, he squeezes the bulb on the right – stem until he can read the fine print on the chart. A monomer in the bulb shapes the lens until that eye can see perfectly. He repeats the process for the other eye. Within two minutes, he has perfectly tailored eye glass at a very low cost.

3. Before 1980 patients with diabetes could only know whether they had abnormal levels of glucose in their blood in directly; they used an often inaccurate urine test or visited doctor who drew blood sample and then measured its glucose content on an expensive piece of laboratory equipment but today patients pack miniature blood glucose meter with them wherever they go; they themselves now manage knows aspect of the diseases that previously had required much more professional involvement. Due this innovation of minute blood glucose meter the patient can examine his condition of the glucose level in his blood and eliminating the services of an endocrinologist and also the service of complicated laboratory equipment.

4. Angioplasty is another example. Before the early 1980's patients with coronary artery disease were treated through bypass surgery. This

required complex technologically sophisticated surgical team as well as multiple specialists in several disciplines, complicated equipment, days in hospitals and weeks for recovery. Today this operation can be performed in stand alone cardiac centers with great easy and the recovery of the patients is just a few days.

The above mentioned paragraphs clearly explain how technology has played its role in modifying the medical products/ services. These modifications clearly include 1. Functional performance modifications 2.New feature medications, 3. Better aesthetic appeal and miniaturization.

## DIVERSIFICATION AND ELIMINATION IN HEALTHCARE SERVICES

**Diversification :** Diversification involves a change in service definition either in terms of customer function, customer group, or alternative technology.

There are different types of diversification

1. Vertical integration : When a medical organization starts making new services that serves its own needs, vertical integration takes place. In other words any new activities undertaken with the purpose of either supplying of their own inputs or serving as a customer for outputs (such as marketing of health care firm's products)

2. Concentric diversification : When a health care organization takes up an activity in such a manner that it is related to its existing business definition either in terms of customer groups customer function or alternative technology Example : A medical organization may be in the business of manual open heart surgery in due course of time this organization may try adopting a complete microscopic computerized open heart surgery

3. Conglomerate diversification : When a health care organization adopts a strategy which requires taking up those activities which are unrelated to its existing business either in terms of customer group, customer function, alternative technology. Example: A health care organization gradually moving from curing diseases using drugs to genetical manipulation to prevent the diseases

Elimination : This is the process of elminating a medical product or a medical service from the medical product/service mix.

The elimination may be due to the following reasons:

1. A medical service or a product that proves to be mismatch with the mission of the health care organization.
2. A persistent negative cash flow from that particular medical service.
3. severity of competition and the inability of the medical organization to cope with.

## Examples of Diversification and Eliminations of medical services

Using the Genetical Engineering technology, Just As crops can be designed to have higher nutritional value, they can also be designed to have <u>higher medical values.</u> Broccoli, for instance, is known to switch on the body's defense against cancer. Today some agribusiness labs are trying to take the characteristic of a wild fashion broccoli, which appears to be 100 times more effective in building cancer defenses.

Other companies are trying to create bioengineered corn that will target and poison cancer cells, fight Osteoporosis, and reduce heart disease. Still others are reprogramming the genes of some fruits and vegetables to turn them into vaccines against diarrhea, tetanus, diphtheria, hepatitis B and Cholera, to vaccinated in the future, you may not need to get a shot. You must just have to eat an apple.

As the result of the above intentions many of the allopathic drugs, technology designed to cure diseases like cancer have been eliminated or in the process of being eliminated.

Today the distinctions between food and medicine is fading, there is a proliferation of crop based drugs or agriceuticals the blurring of agriculture and

pharmaceuticals is not limited to seeds and plants, either animals are also being turned into drug-manufacturing facilities. Genzyme Tramgenics have engineered goats to give milk containing antibodies that can serve as human medicines. Drug (medicine) companies like BASF and Bristol-Myers Squibb are working with Genzyme to have goats produce large volumes of proteins for treating cancer. A single heard of goats may soon replace a $150 million drug factory. Several companies are even trying to produce antigens in mosquito's saliva, taming the insects into hiving vaccine for various diseases. Some people may go out of their way to have mosquitoes bite them.

Today as the result of convergence of the Agricultural, chemical and pharmaceutical industries. The ability to understand what diseases individuals might be predisposed to, how they might react to specific medicines, and what they might do to prevent future illness will change the practice of medicine.

Companies like Affmetrix are building silicon chips embedded with hybrid bits of DNA that can test for 6000 genetic conditions in any given individual chips the size of Rupee coin will soon be able to test for as many as 400.000 conditions and once the human genome is decoded ble to screen for almost all genetic diseases and defects. Such powerful diagnostic tools will lead to highly personalized medical treatment and at the same time, they will reform much of medical practice on prevention rather than intervention. Some leading pharmaceutical company believe that their will be a huge shift in the ratio of doctors bills to pharmaceuticals costs. The current ratio is approximately 9 to 1, in another 20 years it could come to something like 1 to 1.

Delivery vehicles of medicines will also proliferate. Everyday products like soap, Cosmetics, foods and beverages may dispense daily preventive medical prescription. It would not be surprising to see consumer good companies like P&G building alliance with genomics, agribusiness and pharmaceutical firms. New distribution channels are also likely to emerge. In addition to being distributed through traditional dispensaries like HMOs and pharmacies, genetically engineered products could be delivered through inlets like supermarkets and even health clubs.

Because genetic research involves the processing of vast amounts of data, computer hardware and software companies are increasingly being drawn into the

life-science sector as well. In deed the focus of medical research, which during the past century shifted from the in vivo study of living organisms to invitro experiments inside lab is now shifting towards "in silico" research using computer database.

Considering the examples cited above we can be very sure that there is a huge amount of modification and elimination of medical products and service due to Genetic breakthroughs.

**Branding and their implications to Health care services**

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, product and enhance brands.

The American Marketing Association defines a Brand as: A name, term, sign, symbol or design or a combination of them, intended to identify the goods or services of one seller or service provider or group of service provider and to differentiate them from those of competitors. Thus a brand identifies the seller, service provider or maker. Under trademark law, the seller is granted exclusive rights to the use of the brand name in perpetuity. Brands differ from other assets such as patents and copyrights, which have expiration date.

A brand is a complex symbol that can convey up to six levels of meaning.

1. Attribute: a brand brings to mind certain attributes example All India Institute of medical sciences.

2. Benefits: Attribute must be translated into functional and emotional benefits. The attribute "Doctors in the AIIMS have certificates from highest standard qualifying medical examination" Hence "I want have to go for another health care service for future consultation.

3. Values: The brand also says something about the service providers AIIMS stands for prestige, cure, and customer intimacy.

4. Culture: The brand may represent a certain culture The AIIMS represents Indian culture; organized efficient, high quality in Medical business.

5. Personality: The brand can project a certain personality AIIMS may suggest a no-nonsense boss (person) a reigning Lion (an animal).

6. User: The brand suggests the band of consumers who buy or consume the AIIMS services.

**Implications of Branding to Health Care Services**

A brand is much more than a name, logo, colors a tagline, or symbol. These are marketing tools and tactics, A brand is essentially a makers promise to deliver a specific set of features, benefits, and services consistently to the buyers. The marketer must thank that he is offering a contract to the customer regarding hence the brand will perform. The brand contract must be honest - At least, the brand campaign will create name recognition, some brand knowledge may be some brand preference.

**How to build a brand in a health care organization:**

1. Health care organizations should clarify the Health Care organizations basic values and build the corporate brand.

2. Health Care organization should use brand managers to carry out the tactical work, but the brand's ultimate success will depend on everyone in the Health Care organization accepting and living the brands value proposition.

3. Health Care organization need to develop a more comprehensive brand-building plan to create positive customer experiences at every touch point- events, seminars, news, telephone, E-mail, person to person contact.

4. Health Care organization's need to define the brands basic essence to be delivered whenever it is sold.

5. Health Care organization must use the brand-value proposition as the key driver of the company's strategy, operations services and product development.

6. Health Care organization 's must measure their brand building effectiveness not by the old measures of awareness, recognition, and recall bent by a more

comprehensive set of measures including customer-perceived name, customer satisfaction, customer share of wallet, customer resection, and customer advocacy.

**Package:**

Similar to a tangible product's package, the servicescape and other elements of physical evidence essentially "Wrap" the service and convey an external image of what is "inside" to consumers. Product packages are designed to portray a particular image as well as to evoke a particular sensory or emotional reaction. The physical setting of a service does the same thing through the interaction of many complex stimuli. The servicescape is the outward appearance of the organization and thus can be critical in forming initial impressions or setting up customer expectations – it is a visual metaphor for the intangible service. This packaging role is particularly important in creating expectations for new customers and for newly established service organizations that are trying to build a particular image. The physical surroundings offer an organization the opportunity to convey an image in a way not unlike the way an individual chooses to "dress for success". The packaging role extends to the appearance of contact personnel through their uniforms or dress and other elements of their outward appearance.

Interestingly, the same care and resource expenditures given to package design in product marketing are not generally provided for services, even though the service package serves a variety of important roles. There are many exceptions to this generality.

## QUESTIONS

1. Explain the steps involved in developing a new product / services in a health care organization.

2. Explain packages in services

3. Discuss the various products / services for a health care organization.

# UNIT III

## PRICING – HOSPITAL SERVICES

**Meaning:**

Price is the one element of the Health Care Service marketing mix that produces revenue, the other elements produce costs. Prices are the easiest marketing – mix element to adjust; product service, channels, and even promotion take more time for adjustment. Price also communicates to the market the company's intended value positioning of its service or brand.

Price is not just a number on a tag or an item, it goes by many names: Price is all around us. You pay rent for your apartment, tuition for your education, and a fee to your physician, the airline, railway, taxi, bus companies charge you a fare.

**Factors that influence pricing**

A health care organization has to consider many factors in setting a price for a medical service / product.

(1) **Selecting the pricing objectives:** A health care organization first decides where it wants to position its marketing offer. The clearer the firm's objective the easier it is for the health care organization to set its price. A health care organization can pursue any of the five major objectives through pricing (1) Survival (2) maximum current profit (3) maximum market share (4) maximum market skimming

(2) **Determining demand:** Each price quoted for a medical product or a medical service will lead to a different level of demand and therefore have a different impact on a health care organizations objectives. The relation between alternative price and the resulting current demand is captured in a demand curve. Generally speaking customers are most prices sensitive to health care products that cost a lot and are frequently consumed. Consumers are less price sensitive when (1) The medical service is more distinctive (2) Customers are less aware of the substitute service (3) Customers cannot easily compare quality of the substitute (4) The expenditure for the health

care service is a very small part compared to their total income (5) When the service is assumed to have more quality, prestige or exclusiveness. Health cares organizations need to understand the price sensitivity of their customers and prospects and the trade-offs people are willing to make between price and product characteristics. In measuring the price-demand relationship the health care market researcher must control various factors that will influence demand. The competing health care organizations response will also make a difference. Also, if the health care organization changes other marketing-mix factors besides price, the effect of the price change itself will be hard to isolate. Marketers need to know how responsive or elastic demand would be to a change in price. Demand is likely to be less elastic under the following conditions: (1) There is no substitute or competitor for that health care service (2) The consumers do not readily notice the higher price of the medical service (3) The consumer is very slow to change his or her buying habits (4) if the price of the health care service is justified

(3) **Estimating cost:** Usually demand is the ceiling on the price a health care organization can charge for its service. Costs usually sets the floor, the health care organization usually wants to charge a price that covers its cost of operation, distribution, and the selling cost incurred for selling the health care services including a fair return for its effort and risk. The health care organizations cost takes two forms, fixed and variable costs (also known as overhead) are costs that do not vary with production or sales revenue. A health care organization must pay bills each month for rent, heat, interest, salary regardless of output of the services in a health care organization. Variable costs: It varies directly with the level of service rendered for example each surgery involves the surgeon's time, energy, and the cost of the materials and equipments used to perform a surgery. Total cost consists of the sum of the health care organizations fixed and variable cost for any given level of health care service. To price intelligently the health care organization must know how its cost, vary with different levels of service production.

(4) **Analyzing competitor's costs, price, and offer**: Within the range of possible prices determined by market demand and health care organizations costs the health care organizations must take the competitors costs, price, and possible price reaction into account. The health care organization must first consider the nearest competitors price. If the health care organizations offer contains positive differentiation feature not offered by the nearest competitor their worth to the customer should be evaluated and added to the competitor's price. If the health care organizations competitors offer contains some features not offered by the health care organization, their worth to the customer should be evaluated and subtracted from the firm's price. Now the firm can decide whether it can charge more, the same, or less than the than the competitors can charge their prices in reaction to the price set by the firm.

(5) **Selecting the pricing methods:** Given the three Cs – The customer demand schedule, the cost function, the competitor's price – The health care organization is now ready to select a price. Costs set a floor to the health care organizations price. Competitor's prices and the prices of substitutes provide an orienting point. Customer's acceptance of unique product features establishes the ceiling price.

**Pricing objectives:**

The health care organization first decides where it wants to position its market offering. The clearer the Health Care Organization Mission is the easier it is to set price.

A Health Care Organization can pursue any of five major objectives through pricing.

Survival, maximum current profit, maximum market share, maximum market skimming, Product quality leadership.

Health Care Organization pursues survival as then major objective if they are plagued with over capacity and intense competition

As long as prices include variable costs and some fixed costs, the Health Care Organization stays operative.

Many Health Care Organization try to set a price that will maximize current revenue. They estimate the demand and costs associated with alternative prices and choose the price that produces maximum current profit, cash flow, or rate of return on investment. This strategy assumes that the A health Care Organization has knowledge of its demand and cost functions, practically it is very difficult to estimate.

Some Health Care Organization believes that a higher operation value will had lower unit cost and higher long-run profit. They set the lowest price in the market.

Some Health Care Organization unveiling a new technology that favors setting high prices for their health care service. This pricing is called market skimming.

Some health care organization might aim to be the product – quality leader in the market. E.g. shouldic Hospital Specializing in repairing Hernia. This Health care organization charges more due to the innovative method it has adopted to cure Hernia.

## Methods and Polices in pricing a Hospital Services

The decision of pricing is an important element in marketing as it reflects the philosophy of the organization. However, most hospitals do not take this task seriously and professionally. Even business undertaking do not attach similar importance in the same way they attach for distribution, promotion or advertising. In the past, hospitals have made mistakes in setting their prices which has brought about disrepute, declining business and even to the state of winding up. Often prices are set before the objectives are established which has lead to widespread confusion. Hospitals must priorities their objectives first before they sit down to take up pricing decision. Some of the common mistakes are hereby identified.

- Prices are set which may be disproportionate to the quality of services being offered.

- Prices are set totally based on cost factors thereby setting aside the consumers demand and perception.

- Pricing is done purely to earn profits and soon becomes the object of public attention and criticism.

- Pricing lacks variety to suit different segments.

- Pricing is based on the whims of the management and creditors.

- Pricing is not revised timely on the changed conditions which are occurring in the macro environment

- Pricing being done by incompetent authority.

A good pricing policy should consider the awareness and utilization of services by the community. The value attached with a serve, the income and willingness to pay, the potential demand, the time required to reach a break-even point, the market share target, the competitive factors, the target groups and the cost of promotional activity.

There are situations when price setting becomes a complex task.

- When a hospital has to set a price for the first time.

- When a hospital has to change the price because of changed circumstances like stoppage of grants and subsidies, a change in the interest rates and so on.

- When competing hospital changes its price structure, the other hospitals can come under intense pressure in contemplating how to react to the changed situation.

- Pricing can be complex when it is inter-related. For instance a change in OPD fee can have a drastic effect on the number of patients in the OPD and consequently on the investigation side as well as the inpatient admissions.

- A hospital also faces a problem when it introduces a new service in its existing set up.

In order to overcome such complex situations we can formulate a pricing strategy and pricing tactics. Pricing strategy is the timely monitoring of price range and price movement to support income position, profit objectives and positioning in the target market. Pricing tactics is the task of setting price and altering them when conditions change within the orbit of pricing strategy.

A hospital must be in a position to spell out its objectives before getting into pricing decisions. There are a number of options in the pricing system which a hospital can choose to match with its objectives. It could have two or three objectives but it has to be arranged on a priority basis.

There are several different pricing objectives which are mentioned.

- Profit oriented pricing
- Target return pricing
- Market share pricing
- Fast recovery pricing
- Loss reduction pricing
- Promotional pricing
- Full line pricing
- Competitive pricing
- Demand oriented pricing
- Differential pricing
- Prestige pricing
- Ethical pricing

## PROFIT ORIENTED PRICING

Most of the corporate and new private hospitals which are supported by financial institutions have this objective in mind. They are devising new ways of maximizing profits. Economists have worked out a model which will give maximum profits which is based on statistical demand analysis. This model displays the role of demand and cost function in the most elegant style. However, it conveniently assumes several factors as listed:

- It assumes that other variables like quality of service, cost of promotion and the system will remain constant.
- It assumes that competitors will not change the price.
- It assumes that demand and cost function estimate can be reliable.
- It ignores the reactions of various affected groups.

## TARGET RETURN PRICING

The hospital does not go blindly after profits and remain content on a desirable return on the investment made on the infrastructure. Although it could earn a larger return by pursuing other pricing method, it tends to follow a conventional pattern and avoids risk. This approach is based on financial aspects and ignores the market place and competitor's altogether.

## MARKET SHARE PRICING:

This can also be termed as market penetration pricing. The hospital adopts the path of maximum market share even at the cost of making profits. It reposes faith on the fact that a large market share will not only make the hospital viable but also earn profit in the long run. The strategy involved in this pricing method is to

win the hearts and minds of the customers first and leave the rest to follow. Here a hospital should be in a position to keep sufficient funds to tide over its initial stage before it can reach the viable stage. The hospital should make sure that the following conditions prevail before adopting this method:

- The market has to be sensitive to the pricing structure.
- By adopting certain cost reduction techniques a hospital can acquire the know- how and the experience to penetrate deeper with the passage of time.
- Economy and efficiency of services will discourage both actual and potential competitors from entering the market.

## FAST RECOVERY PRICING:

A situation may so arise where a hospital is short of funds and would like to fix a price in a way that will give a speedy recovery. It may not be in a position to wait as it may be having loans to pay back, fulfill other obligations and it may consider future too risky and uncertain to cope with, it is quite likely that a bigger hospital might be planning its operation soon. Under the prevailing circumstances, it can direct its effort on recovering the maximum current income. The hospital will have to work out a combination of price and quantity that will fetch optimum revenue. In exercising such an option, it will have to take utmost care lest the image is tarnished and more so if it's a new upcoming hospital.

## LOSS REDUCTION PRICING

Many a times the hospital services are underutilized in spite of the heavy investment that goes in the making of a hospital. In order to encourage the occupancy rate to reach a desirable level a hospital can introduce such a policy. The hospital should have a knack of applying this strategy as it has to be different from the 'Sale of Products' or 'Clearance of old stock'. The approach should be milder and must communicate and impress upon the fact that it is being done in the general interest of the public. It will have to engage the staff and other influential in the society and media to get the message across as there is every chance of being misinterpreted and misunderstood. Thus the hospital can utilize its full capacity and recover the losses which have occurred due to lack of occupancy.

## PROMOTIONAL PRICING:

This method of pricing is encouraged when a hospital has in mind to promote its services or introducing a new type of service. The hospital does go to the extent of giving incentives for promoting its cause. Besides, it also believes in applying the concept of club, cookery and cocktails to achieve its end. This is now becoming far more popular. A hospital can organize seminar, conference and symposium by inviting leading consultants in order to attract public attention as well as to boost up its professional image. Such activities do help in promoting its services.

## FULL LINE PRICING:

A hospital has to think of pricing the entire line of services which are co-related to one another, rather than taking up just one type of service. In order to attract a large crowd hospitals usually fix a small fee in the OPD which is adequately compensated by fixing a slightly higher price in the investigation and in-patient department. Take for instance a general hospital where the surgical department is popular due to introduction of new technology or the surgeon's skill and would be earning good revenue than the other department. A price variation can offset the loss incurred by the 'not so profitable' department. It may so happen that the popularity of one line can attract business for the other not so profitable lines. A company can introduce two or more products like squash and jam, toothbrush and paste, shampoo and soap. Even if one of the product is not so profitable, in the general interest of the public the product must be made available just because few customers need it. Likewise it is not essential that every department becomes viable in itself but if the hospital project shows signs of viability it should continue on and the whole range of services must be open for the use of community.

## COMPETITIVE PRICING:

A hospital adopting this approach normally sets the price structure on the basis of what the competing hospitals are charging. It may not be necessarily the same, may be a certain percentage on either the higher or lower side depending upon the situation. It goes with an attitude of 'Follow the leader'. The distinguishing mark of this concept is that it does not maintain relations with either the cost or the demand.

## DEMAND ORIENTED PRICING:

Here the prices are fixed on the basis of customer's perception of the services that are being offered. It takes into account the intensity of the demand for a particular service. The user's perception of value attached to a particular service is taken into active consideration before fixing the price tag. A hospital develops certain type of services for a target group with a particular market positioning in mind regarding its quality of services and the price. This policy is useful as it aims to utilize full capacity of a hospital and avoid unnecessary investment. The management must however, be convinced that it will give them a suitable return and profits after seeing the correlation between the price and the cost.

## DIFFERENTIAL PRICING:

Often a practitioner or a hospital charge two or more different type of prices for their services depending upon their paying capacity or status. Here the cost factor is not taken into account. This is widely known as price discrimination. This can be in different forms and is usually based on the class of users, place, time and the type of services given. Quite a few hospitals have started charging a certain percentage extra if a patient comes in the night hours or other than the OPD hours. However, the cost of segmenting should not exceed the extra revenue derived from such a practice. Further, it should be done in such a way that it does not turn the patient away invite public criticism.

## PRESTIGE PRICING:

The price tags are fixed to enhance the quality, the image and to attach special importance with a particular type of services. The prices are kept fairly high as the hospital is sure that no competitors will be entering in the near future and to recover maximum profits in the shortest possible time. The prices are reduced later when competitors enter in. They follow the philosophy of 'Making hay while the sun shines'. This is also known as market skimming. For such a policy to function effectively the following conditions must prevail:

- ❖ Users are ready to pay a higher price for such services.
- ❖ Their numbers should be sufficient and their demand inelastic.

- ❖ There is a little or no danger of rival hospitals emerging in future.
- ❖ High price should create an impression of distinguished services.

**ETHICAL PRICING:**

This policy does not take into account any profit motive. Here the spirit of service and public responsibility is given the prime importance. Many of the mission hospital in the voluntary sector pursue such a policy. Patient's care is given the utmost importance irrespective of the paying capacity, caste, color or creed. Sometimes introduction of certain programme follow ethical pricing such as leprosy eradication, well baby clinics and others. It is interesting to note that many of these organizations do record certain excess of income over its expenditure even without a profit motive. Some of these institutions who are in the process of serving a noble cause have the aptitude of making reasonable profits. This is because it has a widespread support among the community it serves and substantial presence of goodwill.

Pricing policy reflects the image a hospital would like to create, its attitude towards the patients, the competitors and the public at large. The providers have to consider the reactions of various groups which are affected by this decision. They can be grouped as under:

- Hospitals/ Clinics who refer their cases
- Doctors who refer their patients
- Business groups who recognize the hospitals for referring their employees
- The Competing hospitals
- The suppliers
- The government

**Meaning, Need, and Importance of Physical distribution**

The service providers and consumers come into direct contact in service provision because of the inseparability of production and consumption of the service, providers must either present themselves when customers receive services or find ways to involve others in distribution. Involving others can be can be problematic because quality in service occurs in the service encounter between the company and the customer. Unless the service distribution is willing and able to perform in the service encounter as the service principal would, the value of the offering decreases and the reputation of the organizational services may be damaged.

**Meaning**

Two service marketers are involved in delivering the distribution of services, one is the service principal or originator and other is the intermediary. The service principal is the entity that creates the service concept and the service distributor is the entity that interacts with the customer in the actual execution of the service.

**Need and Importance**

Service intermediaries perform many important functions for the service principal, first they often co-produce the service principals promises to customers, service intermediary also make services locally available providing time and place convenience for the customer and in many health care organization intermediary functions as a glue between the brand or company name and the customer by building the trusting relationship required in these complex and expert offering channels for services are almost always direct, if not to a customer then to the intermediary that sells to the customer, because service cannot be owned there are no titles are rights to most services that can be passed along a delivery channel. Because services are intangible and perishable inventories cannot exist making warehousing a dispensable function in general because services cannot be produced, warehoused, and than retailed as goods can. Many channels available to goods produces are not feasible for a service firm. Many of the primary functions distribution channel serve inventorying, securing, and taking title of goods have no meaning in services. The focus in service distribution is to identify ways to bring

the customers and principles are its representative together. The option for doing is limited to Franchisees, Agents, Brokers and Electronic Channels.

**Types of hospitals**

There are different types of hospitals established with the motto of offering the medi-care services and educational and training facilities. In a natural way, we find distinction in their structure, function and performance. The classification is found based on different criteria as mentioned below:

Objectives: The first criterion for the classification is objectives. The main objective of establishing a hospital is to offer the medical services but we also find education, training and research as the secondary objectives

**Teaching-cum research hospitals,** the hospitals in this0 category, are established to make available to the medicos and Para-medical personnel the teaching aid. These hospitals are found instrumental in offering the educational and research facilities in addition to the medical services. for example, we find the All India Institute of Medical Science and the others are established as teaching-cum-research hospitals.

**General Hospitals,** The second category, also offer teaching and research facilities but here we find these objectives of secondary nature. The main objective is to offer the medical services.

**Special Hospitals,** The third category are meant for special purpose. These hospitals offer special services in the selected areas. They concentrate on a particular organ of the body or particular diseases.

**Ownership:** We find classification on the basis of ownership

**Government Hospitals:** It is the first type in the ownership category. The government hospitals are owned, managed and controlled by the government whereas the semi government hospitals are found acting as an autonomous body

**Semi-government hospitals:** Such type of hospitals act as an autonomous body but the government regulations control the functioning of hospitals.

**Voluntary Agency hospitals:** The voluntary organizations manage and control the hospitals coming under this category.

**Private Charitable hospitals:** Many of the hospitals are managed by the charitable trusts

**Path of treatment:** In this category we find Allopathic, Auruvedic, Homeopathic and Unani hospitals. There is also a great change in the nature and character of different treatment

**Size:** This is also a base for the classification of hospitals

**Teaching Hospitals: Teaching** hospitals generally have five hundred beds which can be increased according to the number of students.

**District Hospitals:** The district hospitals generally have two hundred beds which can be raised to three hundred depending upon the population in a catchments area.

**Taluk, sub-division hospital**: Such type of hospital generally has fifty beds that can be raised to one hundred beds deponding upon the population in the catchments area.

## Rural Health care Organization

**Meaning and strategy:**

The most effective and acceptable form of health care delivery system for the people in the developing world has to be evolved by the community itself. Development is indigenous to each society and builds primarily on a country's own resources-mainly land and people. Each country must develop its own model to social fulfillment.

## Rural Centers Management (Primary Health Care):

The WHO defined Primary Health Care as "essential health care made universally accessible to individuals and families in the community by mans acceptable to them through their full participation and at a cost that the community and country can afford. It forms an integral part both of the country's health system of which it is the nucleus and to the overall social and economic development of the community."

Primary Health Care is defined as "essential health care based on scientifically sound and socially acceptable methods and technology made universally acceptable to individuals and families in the community through their full participation and at a cost that the community and country can afford to maintain at every stage of their evolvement in a spirit of self-reliance and self-determination'.

In short, we can say that primary health care is an approach which integrates at the community level all the elements necessary to make an impact upon the health status of the people.

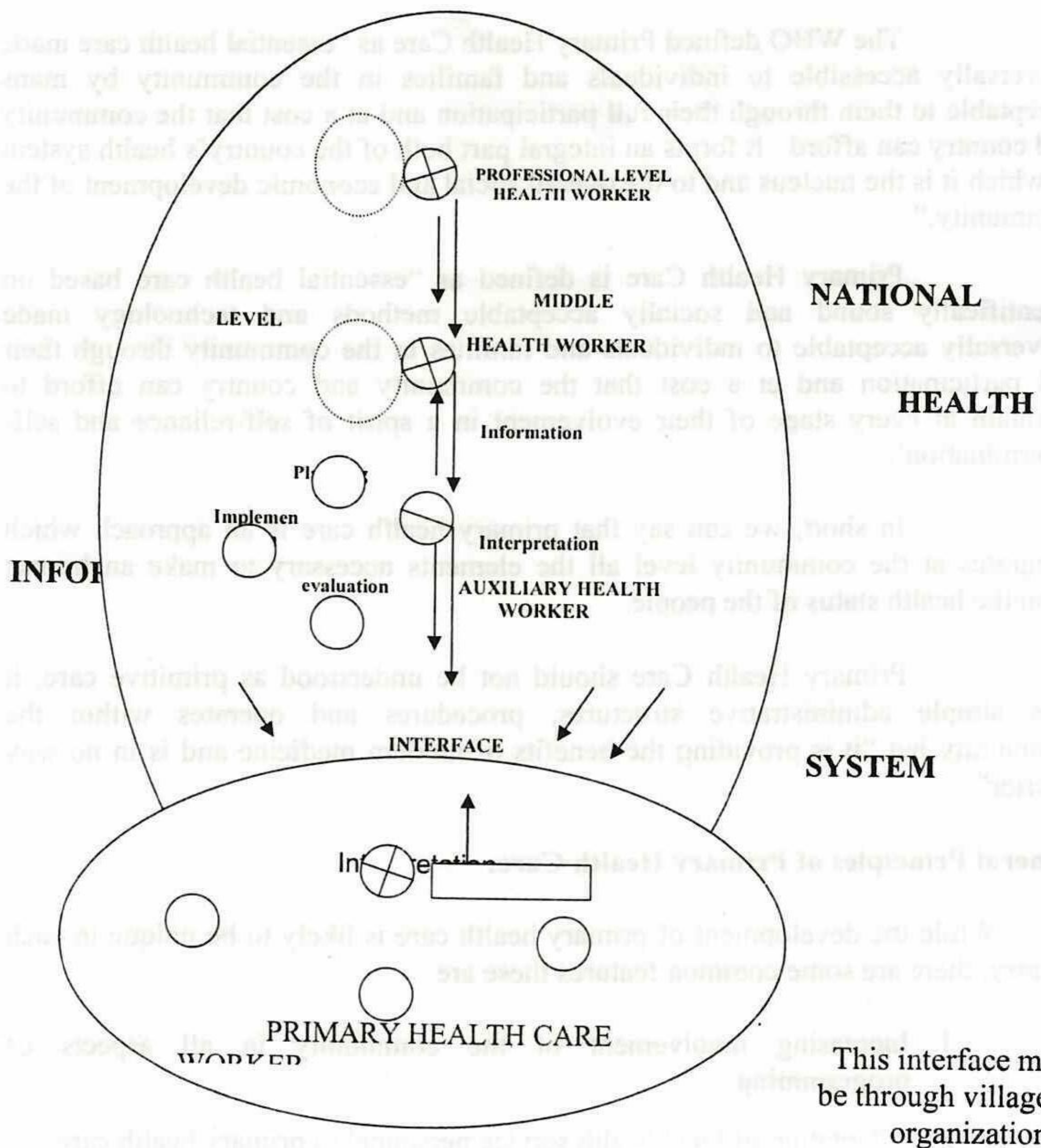
Primary Health Care should not be understood as primitive care, it uses simple administrative structures, procedures and operates within the community but "it is providing the benefits of modern medicine and is in no way inferior".

## General Principles of Primary Health Care:

While the development of primary health care is likely to be unique in each country, there are some common features these are

1. Increasing involvement of the community in all aspects of programming.
2. Adaptation of local health service personnel to primary health care.
3. The closure links of health with general development.
4. Need of national resources and political parties to support primary health care.

## Primary Health Care System




This interface may be through village organization

## Distribution of Hospital Services:

Effective distribution of hospital services are determined by two major factors. They are 1. Location of the distributor 2. Channel (Intermediary) or Logistic Management

Hospital Service marketers should seek to develop an appropriate service delivery approaches that yield competitive advantage for their service organization.

1. Location of the distributor: Location of Medical service is concerned with the decision a firm makes about where the operation and staff are situated. The importance of medical service location depends upon the type and degree of interaction involved between the customers and the service providers. Three types of interactions are possible in medical services.

   a. The customer goes to the medical service provider

   b. The medical service provider comes to the customer

   c. The medical service provider and customer interact at arms length

**a. The customer goes to the medical services:**

When the customer has to go to the medical service provider site location becomes very important. The optimum location of service for a multi-site operator becomes an important decision for hospital services. Health Care Services must take great care in selecting appropriate site on the basis of potential customers. A number of sophisticated computed models have been developed which can be used to assess the desirability of various site alternatives.

**b. The medical service provider comes to the customer:**

When the medical service provider can go to the customer, site locations become much less importance provided it is sufficiently close to the customers for good quality service to be received. In some circumstances the service provider has no discretion in going to the customer as certain services must be provided at the customer's premises. For example, emergency services and special periodic visits. Today we also have mobile health care services.

**c. The medical service provider and customer interact at arms length:**

However when the customer and medical service organization interact at arms length location may be largely irrelevant in such cases provided efficient mail or electronic communications are in place, we are not concerned with where physical locations are of supplier of services. For example consultation for health care services through video conferencing. With the advent of artificial intelligence a sophisticated computing device is in a position to diagnose the medical problems and suggest remedies at an arms length.

**Logistic Management:**

There are two service marketers involved in delivering the services, one is the service principal or the originated and the other is deliverer called intermediary.

The art and science of planning, directing and controlling the operations and delivery of services to the right person at the right time is called logistic management.

The service principal is the body that originally creates the service concept and the service deliverers are the intermediary and the body that interacts with the customer in the actual execution of the service.

**Key intermediaries for service delivery:**

There are a number of intermediaries available for service delivery. They are

1. Franchising

2. Agents and Brokers

3. Electronic Channels

For our purpose of distributing medical services franchising is the most important type of intermediary.

**Franchise in Hospital Services:**

Services can be distributed to end customers through franchisee, agents, brokers and electronic channels. Franchisees are service outlets licensed by a principal to deliver a unique service concept it has created or popularized.

Hospital service can be distributed to customers via. Franchisee. Franchising is the most common type of distribution in health care services, huge numbers of organizations are licensing their brand names, business process or formats, unique products or reputation in return for fee and royalties. Franchising works well with services that can be standardized and duplicated through the delivery process, service policies, warranties, guaranties, promotion and branding. Apollo Hospital services in India are ideal for franchisee operations. At its best franchising is the relationship or partnership in which the service provider-the franchiser – develops and optimizes a service format that is licensed for delivery by other parties – the franchisee. There are benefits and disadvantages for both franchiser and franchisee in their relationships.

**The franchisers perspective**:

The franchiser typically begins by developing a business concept that is unique in some way. Perhaps it is a medical surgery with unique equipment or procedure, perhaps it is a health and fitness centre with established format for marketing to customers, pricing and hiring employees, a franchiser typically expands business through this method because it expects the following benefits:

1. A Leveraged business format for greater expansion and revenue – most hospital franchisee want wider distribution and increased revenues, market share, brand name recognition and economies of scale for their concepts and practices that they support in organization outlet.

2. Consistency in outlets: When franchisers have strong contracts and unique formats they can require that service be delivered according to their specifications.

3. Knowledge of local markets: National Chains are unlikely to understand local markets as well as the business people that live in the geographic areas with franchising the health care organizations obtained a connection to the local markets.

4. Shared Financial risk and no working capital: A franchisee must contribute their own capital for equipment and personnel, there by bearing part of the risk of doing business.

**Disadvantages:**

1. Difficulty in maintaining and motivating franchisees: Motivating independent operators to price, promote, deliver, and hire according to the standards that the principle establishes is a difficult task.

2. High publicized disputes between franchisee and franchisers: Franchisees are organizing and hiring lobbyists and lawyers to gain more economic clout.

3. In consistent Quality: Some hospital franchisees perform worse than others which can undermine the company's name and reputation.

**Franchisee's Perspective (Advantages):**

1. One of the main benefits is obtaining an established business format on which to base a hospital service. 'Entrepreneur in a packaged box, a super – efficient distributor of services and goods through a decentralized web'.

2. Second benefit is receiving national or regional brand marketing, franchisees obtaining advertising and other marketing expertise as well as an established reputation.

3. Franchising minimizes the risk of starting a business.

**Disadvantages:**

One of the most problematic aspects is encroachment – the opening of a new unit near existing ones without compensation to the existing franchisee. When encroachment occurs, potential revenues are diminished and competition is increased. Another frequent disadvantage involves disappointing profits and revenues. Lack of perceived control over operations and high fees.

## QUESTIONS

1. What is a 'Price' discussing the factors involved in Pricing a service?

2. Discuss franchising in Hospital services marketing.

# UNIT IV

## PROMOTION AND COMMUNICATION MIX

In an exchange activity like health care services marketing communication is vital. A health care service provider many have the best service, reasonable price an efficient distribution system. It is a fact that people may not buy that service unless they have heard of it they must know that the right health care service are available at the right place and at the right price. This is the job of promotion. A very important element in the marketing mix.

### Promotion

Promotion is an attempt to influence. More specifically promotion is the element in organizations marketing mix that serves to inform, persuade, and remind the market of a service and the health care organization selling it.

Promotion is also called communication mix. The nature of promotion and communication mix for health car services can be studied under the following heads.

1. Advertisement
2. Public Relations
3. Sales promotion
4. Personal selling

## PROMOTIONAL POLICY AND PRACTISES

The concept of promoting health care services is the least understood but more intensely felt by many health care professionals today. It is now being realized by several entrepreneur consultants that a post graduate degree or the infrastructure or even the finances are not sufficient to run a hospital and that something more is needed. Consultants who have a social interest are now finding that even good intentions are not sufficient unless it can be converted into actual or

meaningful results. The unfortunate part is that most management just remains complacent when their occupancy is high or if they are on the verge of achieving a break-even point. However, when their occupancy rate goes down and the break-even point is not within the reach, they realize that something has gone wrong and that something should be done about it before it is too late. Hospitals have often experienced their numbers dropping down, income decreasing unhappy patients and public mood swinging. These are concrete indications that a competitive situation has emerged where they can be submerged… if nothing is done about it.

Hospitals need to understand that unless they pursue a culture of excellence with its underlying characteristics, the competitive environment will continue to pose a threat. Another misconception that is widely prevalent in our circle is that we tend to think that we have certain unusual or primary abilities which compel to undermine the abilities of subordinates, juniors or even our colleagues. The medical system cannot function at its peak level unless there is a good coordination, interdependence and team work. When these characteristics are absent, and such symptoms become apparent to the public, hospitals have every reason to believe that something has gone wrong and learn to adapt faster or be willing to loose their established position in the market. The time has come when we need to contemplate on these issues and start building on the strength of the entire task force. There is an increasing need to utilize the strength of the entire manpower for organizational development rather than picking up a few pets. Unless, there is a breakthrough in our attitude and change in approach which brings in a spirit of concern and mobilization of the task force there are reason to doubt whether we will make any headway in our pursuit of excellence.

In several of the hospitals visited, it has been found that some hospitals have developed a way of promoting their services whereas others do not know where to begin, and some pretend to know everything. The most popular idea adopted by these upcoming hospitals is to appoint a marketing or a public relation officer who goes about like a Medical Representative visiting doctors, institutions and other key persons but has very little idea about the services he is selling. Most of them can't even answer simple questions. The presentation of the services given by them is so mechanical and monotonous that it leaves behind a raw impression with little or no results. And the management feels content that the job is done presumably well.

Since most managements are not very clear about their objectives and the process of achieving it, there are ample reasons to believe that they are either confused about what they want or have distorted priorities. Consequently, this reflects on the entire staff and especially the frontline staff who play a key role in the process of image building. The tendency to go by emotions and impulses are obviously apparent. And then somehow back it up later by reasons and logic. The following reasons have contributed to the growth of promotional work in the health sector today:

- Wider acceptability by the management for stimulating the occupancy rate.
- More and more managerial experts are getting involved in these activities.
- Increasing pressure by the top level management for getting quick results.
- Fierce competition.

- Intense rush to secure the maximum share in the market.
- High rate of interest on loans secured for building up the infrastructure.
- Growth of inflation.
- The ambition to be a market leader.
- Uncertainty of the future economy.

The promotional activities comprises a variety of tools tactfully designed to stimulate earlier and better responses as expected which may either have a short, medium or long duration. These tools are being increasingly used by a large number of organizations involved in manufacturing, distribution, trade, service industry as well as other non profit sectors.

A promotional activity necessarily implies a sense of communication, invitation and remuneration for its services. The process of communication involves in gaining attention and providing information to the prospective groups for gaining support in order to achieve the end results. The process of invitation involves an attitude of being cordial for using the facility available for the purpose of mutual gains. The process of remuneration can be broadly described in terms of allowing certain concessions, giving financial support, making the infrastructure available when needed and even accepting the view of the referring practitioner in the treatment plan and settlement of bills since he knows the background and status of the patient.

The promotional activity is usually carried out with the aim of building up more awareness, loyalty and a kind of tie up with potential customers and the public. The primary aim should be to win the heart and minds of the potential customers with a view to positioning yourself better. The clearer the objectives, the more likely the results are going to be. Obviously, these efforts will have to be supported by a certain budget allocation. The main difficulty is that on one hand hospitals are keen to obtain maximum market share and public attention but they are very reluctant to spend even a reasonable amount for developing a meaningful programme. Some hospitals tend to defend themselves on the grounds of being not so cost effective. Once hospitals have made their objectives clear and allotted a certain budget with realistic expectations preferring lasting gains as against quick results, it can be said that they are now ready to start on the right to start on the right track.

Hospitals will have to design something meaningful and of an enduring nature for its loyal customers in terms of preference, added value and personalized services, otherwise it can end up in loosing potential customers. It is important to understand that there are two types of customers and we can categorize them as brand loyal and brand switchers. The brand switchers would like to try every other new hospitals which comes into existence for the sake of curiosity and the fact that they have the money to spend or even try going out of station for the purpose of prestige treatment and mental satisfaction as they may not understand the criteria to be applied or lack credibility in your system. It is next to impossible to convert brand switchers to loyal customers and hospitals will be wise not to try the idea and waste their valuable time in the process. No amount of persuasion or incentive of whatsoever nature is going to really help.

There is a great dearth of literature and research studies to guide us with regard to consumer's behavior and their attitude towards health care institutions in our country. A systematic approach for promoting health care institutions is given below:

- Establishing the objectives of promotion.
- Selecting the tools for promotion
- Developing the promotion programme.
- Implementing and controlling the promotion programme.
- Evaluating the results.

## ESTABLISHING THE OBJECTIVES OF PROMOTION:

The promotional objectives are derived from basic marketing communication objectives which are developed for the kind services that are offered. The specific objectives set for promotion will vary with the type of target market. For the customers the objectives would be: prompt medical attention, qualitative services, pricing should be within the reach of target group, the value attached with the services, an accessible location, clean and hygienic environment, efficiency of the system, good communication and an attitude of care and concern.

From the practitioners and referring hospital's viewpoint the objectives are:

- Availability of good infrastructure to match with patient's expectation.
- The prevailing attitude of the management and managers.
- Their views in key matters and expectations from the hospital.
- Recognition and support for their practice.
- Broadening up their social circle through such tie-up
- Good public image.

For the sales force i.e. the marketing officer, and public relation officer,

- Focusing the attention of the public on the strength of the hospital: the available facilities, the statistical records, and the success rate in dealing with complicated cased and even naming potential customers.
- Highlighting past achievements, present endeavors and future plans.
- Attaching special importance and value of your services which has certain attributes or features which others don't.
- Developing creative and innovative ideas from feedback, field study and field work.
- Devising a penetration plan: leaving behind certain impressions which the person will remember you for and would like you to be viewed as somebody totally different and unique. One could even use a calendar, badge, paper weights with the name of your institution, which the person will refer in his day to day affairs.
- Communicating matters of interest and concern in a manner which is-impressing and acceptable by the person and the community at large.

**SELECTING THE SALES PROMOTION TOOLS:**

A wide range of sales promotion tools are available for the achievement of any of the given objectives. Instead of mechanical presentation which creates monotony, one has to bring in variation of one kind or the other to make it sound attractive and meaningful. The selection must take into account the target market, the objectives of promotion, the competitive factors, the cost factors and the impact of each tool that will be used in promotion. Should the primary objectives be to offset a competitor's promotion, then the cost effectiveness with quality service will provide a quick and defensive response. In case the objective is to generate an initial trial of your services, then the infrastructure, promptness, cleanliness, the professional and social skills of your team will be more effective. In case of promoting a new hospital, the most effective tool will be to organize and coordinate a net work of practitioners, drug retailers, clinics, hospitals and institutions who have substantial capacity to refer their cases. On the pricing front, the management is advised to formulate a fine blend of market share, competitive, perceptive and full-line pricing. The idea of using Medical Representatives for spreading the word around and getting helpful information and clues should not be left untapped.

**SOME USEFUL TIPS ON PROMOTION:**

Some of the hospitals have been using practitioners as pawn rather than partners or promoters which are largely responsible for their state of affairs. This reflection of attitude releases the anchor at the grass root level and makes the communication sound more superficial than natural. If hospitals can take time to know the aspiration and expectations of their practitioners, they will be able to

secure a long term commitment. It is advisable to keep their supporters well informed of the preset development, future plans, convey best wishes during festivals and invite them for a social programme to make them feel part of the larger hospital family. Maybe, some hospitals would like to form a doctor's club and meet more often in a social environment where they could feel the liberty of expressing themselves. If hospitals could organize such an environment it will go a long way in building up loyalty and securing lasting support. The main issue to contemplate is that we all crave for recognition in one way or another and if such a need can be identified and fulfilled it is more likely to yield lasting results.

From the patient's point of view, certain emotional needs have to be handled carefully. Most of the criticism stems from this root. Patients do realize the busyness and business of hospitals but what seems to annoy them is when the top level people show an attitude of least concern. We all posses certain interesting features of our human nature which we need to safeguard and especially the way it reflects on others. Hospitals will be wise to study the attitude and motivational level of their managers and staff as it has an important bearing on the organizational climate as well as the customers. On the contrary, an attitude of care and concern will go a long way in keeping your market share intact.

This can be expressed by sending an informal note enquiring about their continuing with the treatment plan incases of prolonged and chronic cases. In the event of a post operative case, who has been discharged a 'Get Well' card from the hospital signed by the doctor and the administrator can mean much to the patient. Hospitals need to be cautious about over professionalisation and bureaucratic procedures. It will be safer to go on with the changing pattern and taste of the

people rather than imposing something which you feel is important just because you have seen it in another city. A more pragmatic approach will be to build a model which feel would work and keep it in the eyes of the customers and public for sometime to make them aware of what to expect before the actual implementation. This can be termed as architectural approach to marketing.

Larger hospitals should have a public relations or social service department Strategically located at the out-patient department to monitor the attitude of the people. Towards the hospital and provide timely information, guidance and assistance that are vital for its effectiveness. They should be able to project a healthy image of the hospital that will instill a sense of confidence. The department should act as an official spokesman of the organization on all matters pertaining to polices practices and programmes. The People working in this department should possess a reasonable degree of sensitivity and good communication skills to interpret the policies of the management and guidelines of the doctors in a manner which is pleasing and acceptable. In case of negative publicity breaking out, the department can play the role of a fire extinguisher. In some of the leading institutions they act as an advisor to the top level management to adopt or to abandon certain policies, practices and programmes which is creating confusion or unpleasant attitude in the minds of the people. The management could even involve the entire human resource in the task of public relations to reach a general consensus which will enable them to actually feel the public pulse.

**DEVELOPING THE PROMOTION PROGRAMME:**

The management should make certain decisions beforehand such as the size and type of remuneration, conditions for participation, training and orientation of marketing and public relation officers with the hospital's policies, practices and programmes, duration of the promotion and the overall budget for promotional activities. All these aspects are vital and need not only our attention but well lay out guidelines for the frontline staff to effectively project the image of the hospital. If the policies of the management are not clear, the entire organization looms high in the clouds of doubt and despair because no one rally knows what is expected and what to expect.

First of all, the management has to decide on conditions for participation for the outer circle (Practitioners) of the hospital as to who should be included. The main question to contemplate at this stage is should we include only the class I practitioners who will be willing to refer their cases tc our hospital? The answer to this question will be determined by the numerical strength of the practitioners, their ability to refer cases and the quantum of patient that are actually referred. Then the next question to ponder is: whether this size is large enough to accommodate and fill up the existing beds? If the answer to this question is yes, then the management will have to prune further and be more selective. If the answer is on the negative side, then the management will have to select from class II practitioners who will be willing to refer their cases and would agree with the broad policies prevailing practices of the hospital. If the management lays down too hard policies. It is not likely to achieve a degree of success and if on the other hand it is too hard policies, it is not likely to achieve a degree of success and if on the other hand it is too sly

and is willing to go by the whims of each practitioners it is likely to jump overboard. This is infact, a crucial test for the hospital's success. Hospitals are however, free to have certain flexibility but it needs to be handled carefully.

A careful choice on the conditions for participation, will enable the management to selectively discourage those practitioners whose contribution are not of a high magnitude or whose involvement might create certain complications which the management is not willing to risk or may not be in a positions to handle. The management can then decide on the duration of promotional activity. Those intending to go in for a short term promotion would naturally avail their would prefer to build a network of practitioners who will continue to refer their cases. However, it is important to decide at an early stage which options the hospital will prefer. The management could possibly depend on the opinions of the [public relation officer and marketing officer or social worker to know the reactions of practitioners, social group and the public and gather these opinions, process it and formulate a revised policy. The important thing is remember is that not only the expectations of the patient are changing but also that of the practitioners and even your staff who are well aware of the hospital progress. The management should be wise in keeping abreast with all these changing factors and try to match their policy in order to catch up with the evolving environment; otherwise they will be left behind in the competitive race.

Another area of concern is that not many of our marketing and public relation Officers are trained enough to be able to face private practitioners who have a long standing in dealing with the patients. Many of these frontline managers and staff are just coming out raw from the colleges and have not had the type of exposure, training and the maturity in a problem solving area. Even some of the trained youngsters are not be able to understand the basic concept of health, healing and wholeness. We certainly desire that our staff should be smart and confident but we have not been able to provide a platform from where they can take off. Moreover, the top level people, who are usually too busy, do not spend much time with them explaining the issues, removing their doubts, giving moral support and enquiring about their problems in the field work. If this is the state of affair then how will they develop confidence which is so crucial for delivering the goods? The crux of the matter is: whether our expectation from the staff is realistic in the light of these facts or not? Kindly refer to Annexure I to understand better as to why hospitals undergo through such a dilemma.

I trust it will give the readers some insight into the reality of their own situation. If you have identified and realized the actual situation in your workplace, it can go a long way in converting good intentions into actual results. The realization must come that' Rome was not built in a day'. Not only should our expectations be consistent but should be also be accurate with the allotment of the budget. The management should examine the pros and cons of each policy. Just take the instance of allowing one free patient from a practitioner after referring four cases, then how much cost it is going to incur on the Hospital? The potential of each decisions and alternatives has to be weighed against the total outcome and output. In case the management feels that after every six patient's one patient can be

admitted free, then what will be the reaction of the practitioner towards such proposal, and whether this will be acceptable to him? If not, how to modify the proposal further so as to bring about a balance between the policies and expectations? In order to tackle the situation effectively the managers, the marketing and public relation officers will have to do a hard job of balancing these expectations from various quarters to reach a point of equilibrium as any act of imbalance can cause a substantial damage and result in loosing support of potential practitioners. The management should assess how much budget it is going to allot for promotional activity. The cost of different activities comprises the administrative cost, printing, travel, conveyance, advertisements, publicity, remuneration for the promoters and other intangible factors should be taken into account. The crucial factor is the timely evaluation to measure the output against the cost incurred by the management on a monthly or quarterly basis. These figures can then be reviewed and renewed by the frontline managers to identify the hindering factors and device a more effective strategy. It has been found that even many of the leading hospitals and companies have certain inadequacies in the budget proceedings caused by: lack of consideration of cost effectiveness, use of simple decision rules and promotional budgets prepared independently. The simple decision rules include: maintenance of a fixed ratio to advertising and/or publicity, extension of last year's spending, percentage of expected volume and the leftover approach.

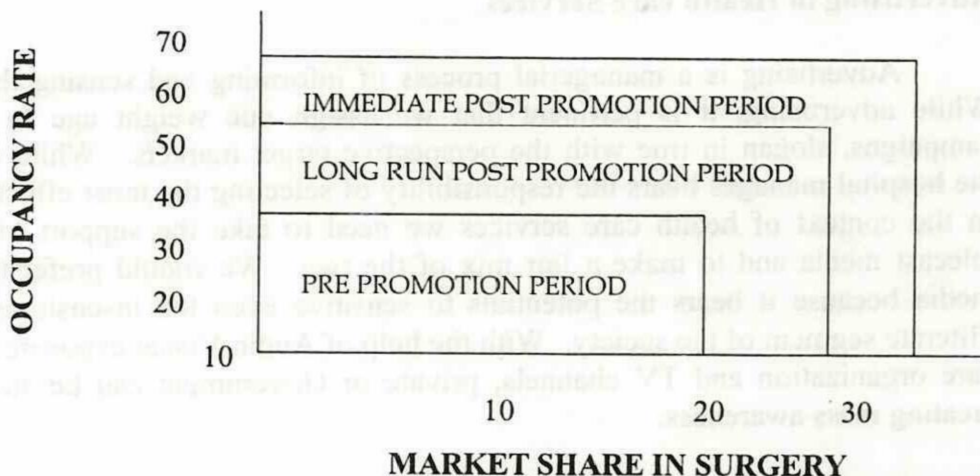
**IMPLEMENTING AND CONTROLLING THE PROMOTION PROGRAMME:**

The effective control of promotional activities requires establishment of specific goals and plans for its implementation. Programme implementation must cover two critical time factors: the lead time and the link time. Lead time is the time when a hospital can announce its policy and programme which it has to offer. It covers the initial planning, design, approval of price schedule, facilities it would like to open up at the initial phase preparing the operational budget, package for practitioners and potential customers and other physical arrangement. The link time begins from the date of starting its operation and terminates when it reaches a break-even point which will be around two third of its occupancy. This is likely to range from a weeks time to a few years depending upon how attractively the package is designed.

**EVALUATING THE RESULTS OF PROMOTION:**

Unfortunately, this aspect has receives very little or superficial attention due to lack of time. Very few hospital have ever done department and profitability to find out which is the most profitable department and which is the least. The management should make it incumbent on the administrator/manager to give a monthly evaluation of their activity to make sure whether these programmes are making any tangible gains. They should not only be satisfied about the effectiveness of the programme but contemplate on how to develop it further to reach and cross the target. There are several ways to measure the effectiveness of promotional activities: the movement of the frontline staff, analysis of consumer panel date, surveys and experimental studies. The most common promotional evaluation

technique is to compare the turnout volume or market share before, during and after a promotion. The increased turnout on market share can be justly attributed to the impact of promotional programme, all other things being equal as shown in the table chart below:




This figure shows the type of ideal results which many hospitals would like to see in their set up. We can take the example of ABC hospital which had an occupancy rate of 40% and a market share of 22% in surgery in a township of seven lakh population at the pre promotion period. After the promotional programme, the occupancy rate went up to 68% and a market share of 32% in surgery. Soon after the promotion period, the occupancy rate fell by 6% to bring the aggregate to 62% on occupancy rate and 30% of market share in surgery. However, in the long run of the post promotion period it settled down to 54% of the occupancy rate and 28% of the market share in surgery. Therefore, this hypothesis clearly indicates that the

hospital stands to gain by implementing an effective promotion programme which is well regulated and controlled.

### Advertisement

Any paid form of non-personal presentation and promotion of ideas, goods, and services by an identified sponsor.

### Advertising in Health care Services

Advertising is a managerial process of informing and sensing the patients. While advertising, it is pertinent that we assign due weight age to creativity, campaigns, slogan in true with the perspective target markets. While advertising the hospital manages bears the responsibility of selecting the most effective media. In the context of health care services we need to take the support of print and telecast media and to make a fair mix of the two. We should prefer the telecast media because it bears the potentials to sensitive even the insensitive rural and illiterate segment of the society. With the help of Audio Visual exposure, the health care organization and TV channels, private or Government can be successful in creating mass awareness.

## Sales Promotion

It embarrasses those marketing activities other than Advertisement, publicity and personal selling that induce consumer purchasing and dealer effectiveness. Sales promotion aims at complementing other means of promotion.

In the hospital / health care organization the sales promotion is quite insignificant but offering gifts or other incentives to both the service provides and receiver (state holders). If we make strong advocacy infavaour of professional and personal commitment, it is judicious that we also talk about the incentives to be offered to them for their positive contribution to the development of organizations and sub serving the interest of users.

**Personal Selling**

We find personal selling an important constituent of the promotion mix when the instrumentality of an individual plays an incremental role in promotion the business. It is important that personal promoters communicate to the prospects effectively, comparative analysis about your medical services. The managerial staff members are supposed to play a contributory role because they must be excellent in communicating creatively influencing the prospects; the personal selling is very useful for the front-line staff members.

## QUESTIONS

1. What is communication mix in hospital services? Discuss the components of hospital services communication mix.

# UNIT - V

## Process in Hospital Services

The process by which Health Care services are created and delivered to the customer is a major factor within the Health Care services marketing mix as services customers will often perceive the service delivery system as part of the service itself. Thus decisions on operations management are of great importance to the success of the marketing of the service. In fact, continuous coordination between Health Care marketing and Health Care operations is essential to success in most services businesses.

All work activity is process. Processes involve the procedures, tasks schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. It involves policy decisions about customer involvement and employee discretion. Identification of process management as a separate activity is a prerequisite of service quality improvement. The importance of this element is especially highlighted in service businesses where inventories cannot be stored.

While the people element is critical in the services marketing mix, no amount of attention and effort form staff will overcome continued unsatisfactory process performance. This is an area where the 'smile training' approach to customer service adopted by many companies is fundamentally flawed. If the processes supporting service delivery cannot, for example, quickly repair equipment following an injury, an accident, an unhappy customer will be the result. This suggests that close cooperation is needed between the marketing and operations staff members who are involved in process management. By identifying processes as a separate marketing mix element, we recognize its importance to service quality.

If the service operation runs efficiently, the service provider will have a clear advantage over less efficient competitor. For example if a patient has to wait for hours before consultation with his physician it will result in the patient changing his physician.

The immediacy of production of services can be used to advantage in the tailoring of the services product to meet customer need. The appropriate processes will depend on the market segment which has been selected, positioning decisions, and the needs of the customer.

Decision-making process is also of relevance. Some service providers give their service deliverers the autonomy to make decisions.

It can be seen from the above examples that processes of delivery and decision making are of great significance for the successful Health Care marketing of a service. Generally it can be seen that for more specialized service higher degrees of decision making are entrusted to the Health Care service provider. This allows greater customization of service. Less specialized service have a more standardized delivery system with low levels of decision making at the point of customer contact.

The choice of process for a Health Care service can therefore be a source of competitive advantage for a services company.

In reviewing the role of processes two issues are worthy of particular attention: how processes can be seen as structural elements that can be altered to help achieve positioning strategy; and how marketing and operations should be managed to achieve synergy between them.

## Processes as structural elements

Processes are structural elements that can be engineered to help deliver a desired strategic positioning. Process-oriented approach involves the following.

- Breaking down the process into logical steps and sequences to facilitate its control and analysis.

- Taking into account the more variable processes, this may lead to different outcomes, because of judgment, choice or chance.

- Deviation or tolerance standards which recognize that processes are real time phenomena which do not perform with perfect precision, but function within a performance band.

Process can be considered in two ways: in terms of complexity and in terms of divergence. Complexity is concerned with the nature of the steps and sequences that constitute the process, while divergence refers to the executional latitude or variability of the steps and sequences.

Services processes can be analyzed according to their complexity and divergence.

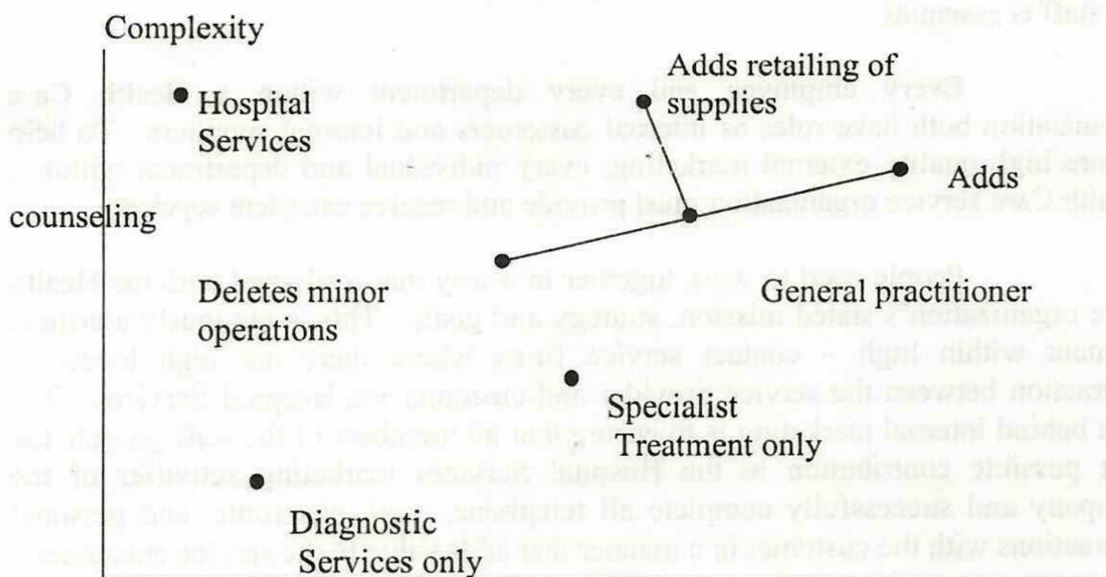
Thus the keeping of account books for a corner shop is relatively low in divergence and complexity, hotel services may be low in divergence but high in complexity and a general surgeon's work is high in both complexity and divergence. The processes in services can be depicted by developing service blueprints which reduce the processes to interactive steps and sequences.

Processes can be changed in terms of complexity, and divergence to reinforce the positioning or establish a new positioning. The four options are as follows:

- **Reduced Divergence.** This tends to reduce costs, improve productivity and make distribution easier.
- **Increased Divergence.** This involves greater customization and flexibility which may command higher prices.
- **Reduced Complexity.** This usually means a specialization strategy. Steps and activities are omitted from the service process and this tends to make distribution and control easier.
- **Increased Complexity.** Greater complexity is usually a strategy to gain higher levels of penetration in a market by adding more services. Supermarkets, banks and building societies tend to follow this approach.

Each of the above options has their advantages and disadvantages, as well as providing opportunities to alter customers' perceptions and positioning.

The following diagram provides an illustration of medical services and positional shifts that could be adopted by a general practitioner to achieve less complexity and divergence (eliminating minor operations and surgical procedures), greater complexity (retailing medical supplies and drugs)




## Positional shifts through structural change

Or greater divergence (adding counseling service). It should be noted that changes in processes may also require a change in people. Thus processes and people are closely linked together as mix elements.

Processes have characteristics that can be deliberately and strategically managed within the marketing mix with the purpose of reinforcing or changing the positioning. Alteration of complexity and divergence is analogous to some elements of product design in the product marketing function for goods.

Processes are thus a marketing mix element which can have substantial role in reinforcing positioning and in product development.

### People - Internal Marketing

It is increasingly being recognized in Health Care service firms that in order to be successful at marketing to the external customer, internal marketing to the staff is essential.

Every employee and every department within a Health Care organization both have roles as internal customers and internal suppliers. To help ensure high quality external marketing, every individual and department within a Health Care service organization must provide and receive excellent service.

People need to work together in a way that is aligned with the Health Care organization's stated mission, strategy and goals. This is obviously a critical element within high – contact service firms where there are high levels of interaction between the service provider and customer viz Hospital Services. The idea behind internal marketing is to ensure that all members of the staff provide the best possible contribution to the Hospital Services marketing activities of the company and successfully complete all telephone, mail, electronic, and personal interactions with the customer in a manner that adds value to the service encounter.

A pilot study in internal marketing suggests that formalized internal marketing programmes are still fairly rare. Respondents were asked in semi-structured interviewers to describe the internal marketing programmes established in their Health Care organizations. Specific questions were asked in relation to the length of time an internal marketing programme had been running, whether the programme was formal, if it had a name, the job title of the person in charge of internal marketing, whether this was a full-time or part-time appointment and the number of staff involved in internal marketing, and who they reported to. Respondents were additionally asked to describe the critical success factors of the internal marketing programme and to describe modifications to the programme, employee perceptions and potential future developments.

Some initial findings from the pilot study suggest the following points:

Internal marketing is generally not a discrete activity, but is implicit in quality initiatives, customer service programmes and broader business strategies.

Internal marketing comprises structured activities accompanied by a range of less formal ad hoc initiatives.

Communication is critical to successful internal marketing.

Internal marketing performs a critical role in competitive differentiation in medical services.

Internal marketing has an important role to play in reducing conflict between the functional areas of the organization.

Internal marketing is an experiential process, leading employees to form their own conclusions.

Internal marketing is evolutionary: it involves the slow erosion of barriers between departments and functions. It has an important role in helping with the balancing of marketing and operations.

Internal marketing is used to facilitate a spirit of innovation.

Internal marketing is more successful when there is commitment at the highest level, when all employees cooperate and an open management style prevails.

Internal marketing in all its forms was recognized as an important activity in contributing to the people element of the marketing mix and in developing a customer – focused organization. In practice, internal marketing is concerned with communications, with developing responsiveness, responsibility and unity of purpose. The fundamental aims of internal marketing are to develop internal and external customer awareness and remove functional barriers to organization effectiveness.

There are many examples of high performing companies who use internal marketing to their best advantage. Shouldice Health Care organization employees are encouraged to be involved in decision making to achieve the greatest level of customer satisfaction. Thus staff are empowered to make decisions appropriate with develop a responsibility towards the customer which is also apparent in the relationship between the company and its employees.

Internal marketing is at an early stage of development and one Where practitioners lead academic research. While little has been codified about internal marketing practice it is clear that consideration of internal markets is essential. Where internal marketing is concerned with the development of a customer orientation, the alignment of internal and external marketing ensure coherent relationship marketing. It further plays an important role in employee motivation and retention. This are is one which should receive considerable attention in future.

## Relationship marketing

The term 'relationship marketing' was introduced during the 1980s and is a relatively new and evolving concept. An early definition is provided by Leonard Berry: 'Relationship marketing is the attraction, maintaining and … in multi-service organization … enhancing customer relationships. The marketing mind set is that the attraction of new customers is merely the first step in the marketing process'.

Our view of relationship marketing extends this definition. This broadened view has three complementary perspectives:

- The nature of the way the companies view their relationships with customers is changing. Emphasis is moving from a transaction focus to a relationship focus with the aim of long-term customer retention.

- A broader view is emerging of the markets with which the company interacts. In addition to customer markets the organization also becomes concerned with the development and enhancement of more enduring relationships with other

external markets including suppliers, recruitment, referral and influence, as well as internal markets.

- A recognition that quality, customer service and marketing activities need to be brought together. A relationship marketing orientation focuses on bringing the three elements into closer alignment and ensuring their combined synergistic potential is released.

It suggests that companies have six key market areas where they should consider directing marketing activity and where the development of detailed marketing plans may be appropriate. In addition to existing and potential customers, those markets are referral markets, supplier markets, recruitment markets, influence markets, and internal markets.

### Customer Markets

Customers must, of course, remain the prime focus area for marketing activity. But the focus needs to be less on 'transactional marketing' – an emphasis on the one-off sale or hooking a new customer – and more on the building of long-term client relationship. These two approaches can be contrasted as follows:

| **Transaction Marketing** | **Relationship Marketing** |
|---|---|
| • Focus on single sale | Focus on customer retention. |
| • Orientation on product features benefits | Orientation on product |
| • Short timescale | Long timescale |
| • Little emphasis on customer service emphasis Service | High customer |
| • Limited customer commitment | High customer commitment |
| • Moderate customer contact | High customer contact |
| • Quality is primarily a concern of Production | Quality if the concern of all |



E Sl. 3 - 8

## Referral Markets

The best marketing is that which is carried out by your own customers; this is why the customer loyalty ladder and the creation of advocates are so important. But existing customers are not the only sources of referral. Referral markets go under many names – intermediaries, connectors, multipliers, agencies and so on.

Most organizations will need to take similar action. The current and potential importance of referral sources should be established and a plan developed for allocating marketing resources to them. Efforts should also be made to monitor results and cost benefits. However, it is worth emphasizing that developing these relationships takes time and that the benefits of increased marketing activity in this area may not come to fruition immediately.

## Supplier markets

The relationship between an organization and its suppliers is under-going some fundamental changes – mainly under the influence of the Japanese. The old adversarial relationship where a company tried to squeeze its suppliers to its own advantage, is giving way to a relationship based much more on partnership and collaboration. There is good commercial sense in this. Manufacturers in the United States typically spend over 60 per cent of total revenue on goods and service from outside suppliers.

## Recruitment markets

The key scarce resource for business (and other) organizations is no longer capital or raw materials – it is skilled people, a vital, perhaps the most vital, element in customer service delivery. And the situation is not getting any easier, even if unemployment climbs to historic levels. The reason is demographic trends.

## Influence markets

Influence markets trend to vary according to the type of industry or industry sector that an organization occupies. Companies involved in selling infrastructure items, such as communications or utilities, will place government departments and regulatory bodies high on the list of markets they must address. Most companies also place the financial community in its various forms – brokers, analysts, financial

journalists and so on – in the influence category. Other examples include standard bodies, political groups, consumer associations, trade associations, activist groups, environmental control authorities, etc.

### Internal markets

Internal marketing involves two main concepts. The first is that every employee and every department in an organization is both an internal customer and an internal supplier. The optimal operation of the organization is ensured when every individual and department both provides and receives excellent service.

The second concept is making sure that all staff works together in a way that is aligned with the organization's stated mission, strategy and goals. The importance of this has become particularly transparent in service firms, where there is a close interface with the customer.

## CRM (CUSTOMER RELATIONSHIP MANAGEMENT)

CRM allows companies to gather customer data swiftly, identify the most valuable customer and increase customer loyalty by providing customized Healthcare service. Healthcare CRM also reduces the cost of serving these customers and makes it easier to acquire similar customers down the road.

CRM is the bundling of customer strategy and processes of Healthcare supported by the relevant software, for the purpose of improving customer loyalty and, eventually, Healthcare organization's profitability

Effective Healthcare customer relationship management is based on good old-fashioned segmentation analysis of its customers; moreover it is designed to achieve specific marketing goals. To implement CRM without conducting segmentation analyze and determining marketing goals would be like trying to build a house heath-out Engineering measures or an architectural plan.

Healthcare CRM usually starts heath customer strategy

**Customer Strategy**

For a CRM program to succeed in a health care industry, you first need to create a customer strategy. Start by figuring out which customers you want to build relationships with and which you don't. Every customer has different needs and wants as well as different current and potential value to your health care company. Consequently, your customer base should be divided into groups, ranging from the most profitable, with whom you should broaden and deepen relationships, to the least lucrative, whom you may wish not to serve at all. Segmenting will help clarify the appropriate response: Invest to win back or grow profitable relationships; manage costs to make lower margin segments worthwhile; or divest unattractive segments.

The task of creating a health car e customer acquisition and retention strategy is complex, but you'll know you're on the right track if you're in the process of debating these five questions;

1. How must our value proposition change to earn greater customer loyalty?
2. How much customization is appropriate and profitable for our strategy?
3. What is the potential value of increasing the loyalty of our customer segment?
4. How much time and money can we allocate to CRM right now?
5. If we believe in the customer relationships, why aren't we taking steps towards a CRM program today? What can we do next week to build customer relationship without spending a cent on technology?

Answering these questions may lead you to conclude that CRM should take a backseat to cost reductions or some other initiative in your company. You might decide that you don't want to differentiate you approach to customers or that loyalty cards don't fit with your company's philosophy. That's fine. The first step is to build the data and the courage to tell the company where its customer strategy is taking it.

**What Customer Relationship Management Really Comprises**

| Acquiring the right customer | Crafting the right value proposition | Instituting the best process | Motivating employees | Learning to retain customers |
|---|---|---|---|---|
| ***YOU GET IT WHEN***<br>*You've identified your most valuable customers | ***YOU GET IT WHEN***<br>*You've studied what products or services your customers need today and will need tomorrow<br><br>*You've surveyed what products or services your competitors offer today and will offer tomorrow.<br><br>*You've spotted what products or services you should be offering. | ***YOU GET IT WHEN***<br>*You've researched the best way to deliver your products or services to customers, including the alliances you need to strike, the technologies you need to invest in, and the service capabilities you need to develop or acquire. | ***YOU GET IT WHEN***<br>*You know what tools your employees need to foster customer relationships<br><br>*You've identified the HR systems you need to institute in order to boost employee loyalty. | ***YOU GET IT WHEN***<br>*You've learned why customers defect and how to win them back.<br><br>*You've senior manageme nt monitors customer defection metrics. |
| ***CRM TECH. CAN HELP***<br>*Analyze customer | | ***CRM TECH. CAN HELP***<br>*Process transactions | ***CRM*** | ***CRM TECH. CAN HELP*** |

| | | | | |
|---|---|---|---|---|
| revenue and cost data to identify current and future high-value customers.<br><br>*Target your direct marketing efforts better. | ***CRM TECH. CAN HELP***<br>*Capture relevant product and service behavior data.<br><br>*Crate new distribution channels.<br><br>*Develop new pricing models.<br><br>*Build communi-ties | faster.<br><br>*Provide better information to the front line.<br><br>*Manage logistic and the supply chain more efficiently.<br><br>*Catalyze collaborative commerce. | ***TECH. CAN HELP***<br>*Align incentives and metrics.<br><br>*Deploy knowledge management systems. | *Track Customer-defections and retention levels.<br><br>*Track customer service satisfaction levels. |

Health care Service Quality – A Special form of Service.

Health care needs are those needs of any individual that can only be met by medically-led qualified health care staff, but the ambiguities of this definition make it an unworkable one in practice. Health care comprises or represents a broad spectrum of activities, carried out by many different professions and trades, across a variety of types of situation for an infinite variety of consumers. The only unifying factors are the desired out comes which include the development of health-related behaviors, the alleviation of suffering and the furtherance of human development.

**Components of Quality Health care Services**

Intuitively there are some aspects of any health care service that would seem to be basically desirable conditions for the provision of quality health care. Firstly, the health care delivered must be effective in alleviating suffering and creating better health, as this is its sole reason for existence. The service product, health care, must actually do what it is supposed to do. Secondly, the service must be efficient in its use of resources, particularly given the unlimited nature of the demand for health care, and the financial conditions under which most human services operate. Thirdly, it must create confidence amongst its clients by competence in performance and operation. Health care is an area in which most people must have enough trust and confidence in their health care practitioners, particularly physicians and surgeons, to allow them to carry out invasive and often painful diagnostic and treatment, procedures, and to trust them with their most basic asset – life itself. In this there is similarity to the ideas on service quality listed above, where customer confidence, trust and security are vital elements.

These intuitive notions of what constitutes a quality health care service not only correspond with mainstream industrial ideas on quality, and specifically those on service industry quality, but also appear in various forms in most of the influential writing on the definition of the components of quality health care.

Health Care Comprises of the following:

1. **Accessibility:** the possibility of a consumer obtaining the services he or she needs at a time and place where and when they are needed, in sufficient amounts and at reasonable cost (or free). The three measurable dimensions are personal accessibility comprehensiveness of services and quantitative adequacy.

2. **Quality:** the level of application to the care provided of the most up-to-date and effective practices and technology. Measurable dimensions include professional competence, personal acceptability and qualitative adequacy.

3. **Continuity:** the treatment of a consumer as a whole person in an integrated way under the guidance of a central source of care. Measurable aspects include person-centered care, the existence of a central source of care and coordination of services.

4.. **Efficiency:** the relationship between the impact of the service and its costs. Measurable components include the existence of equitable financing, adequate compensation for negligence and efficient administration and management.

Quality Health Care is delivered when there is

1. Appropriateness – the service or procedure is what the population or individual actually needs.
2. Equity – a fair share is available for all the population.
3. Accessibility – services are not compromised by undue limits of time and distance.
4. Effectiveness – services are achieving the intended benefit for the individual and the population.
5. Acceptability – services are provided such as to satisfy the health expectations of patients, providers and the community.
6. Efficiency – resources are not wasted on one service or patient to the detriment of another.

In this the major element is that of appropriateness, because with out it, the health care delivered is irrelevant, and useless, regardless of its other qualities. It must be related to the needs of the person and to those of the population as a whole.

**Quality health care could be classified as:**

1. Client quality: what consumers want from the service, individually and as a population?

2. Professional quality: whether the service meets the needs as defined by professionals and whether it correctly carries out techniques and procedures that are believed necessary to meet consumer needs.

3. Management quality: the most efficient and productive use of resources to meet consumer needs within limits and directives set by higher authorities.

Client quality is ensured by consumer satisfaction measures and techniques. Professional quality is ensured by standard setting and the process of clinical, professional or organizational audit.

**Components of Quality health Care Service**

**Managing service quality**

The service quality of the firm is tested at each service encounter. If front end work force are bored, cannot answer simple questions, or are visiting at each other while customers are waiting, customers will think twice about doing business again with that seller.

Customers form service expectations from past experiences, word of mouth, and advertising. Customers compare the perceived service with the expected service. If the perceived service falls below the expected service, customers are disappointed. If the perceived service meets or exceeds their expectations, they are apt to use the provider again.

Using Hospital services Parasuraman, Zeithaml, and Berry formulated a service-quality model that highlights the main requirements for delivering high service quality. "The Model, shown in the figure identifies five gaps that cause unsuccessful delivery.

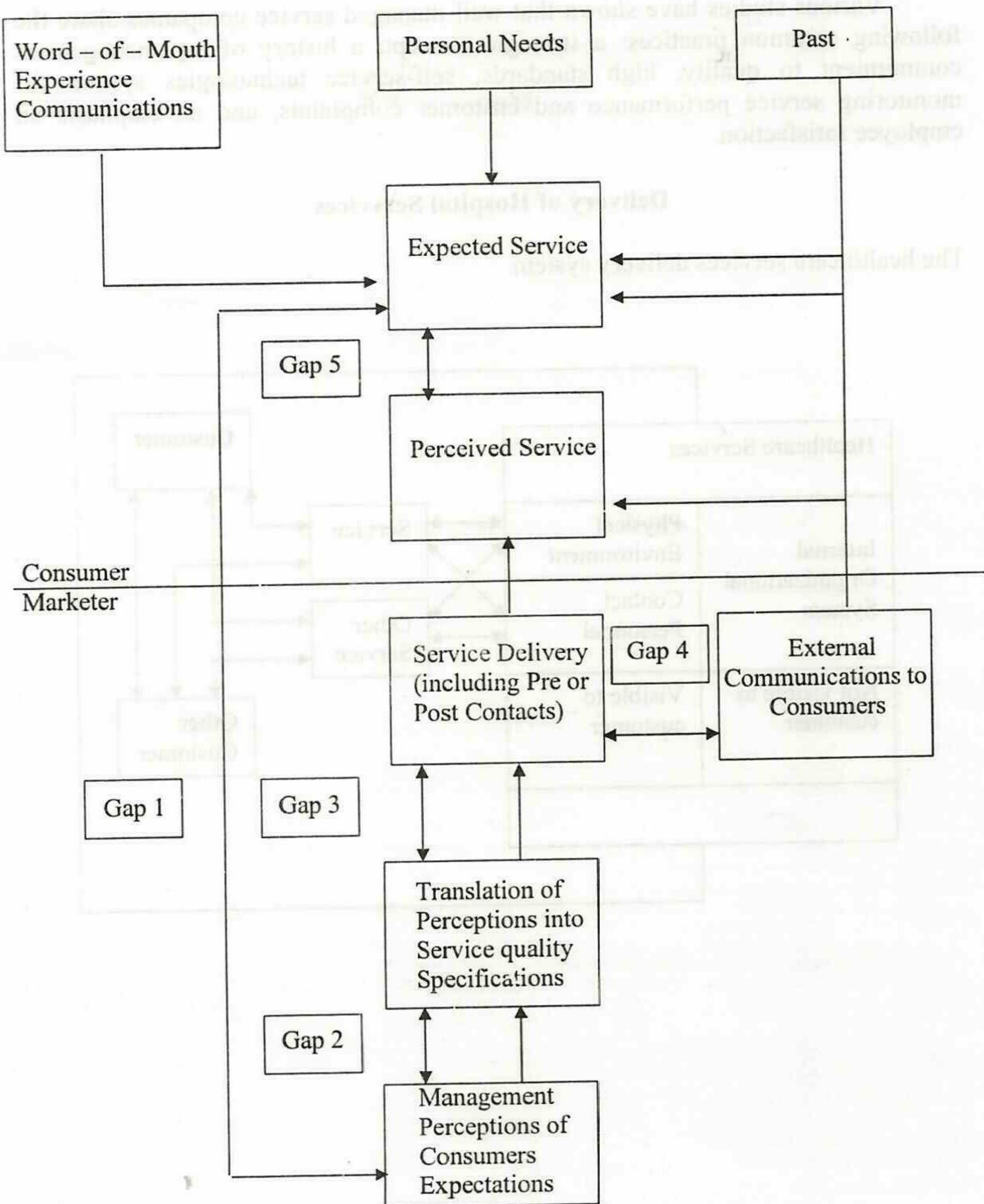
1. Gap between consumer expectation and management perception: Management does not always correctly perceive what customers want. Hospital administrators may think that patients want better food, but patients may be more concerned with nurse responsiveness.

2. Gap between management perception and service-quality specification: Management might correctly perceive customers' wants but not set a performance standard. Hospital administrators may tell the nurses to give "fast" and . Hospital administrators may tell the nurses to give "fast" service without specifying it in minutes.

3. Gap between service –quality specifications and service delivery: Personnel might be poorly trained, or incapable or unwilling to meet the standard; or they may be held to conflicting standards, such as taking time to listen to customers and serving them fast.

4. Gap between service delivery and external communications: Consumer expectations are affected by statements made by company representatives and ads. If a hospital brochure shows a beautiful room, but the patient arrives and finds the room to be cheap and tacky looking, external communications have distorted the customer's expectations.

5. Gap between perceived service and expected service: This gap occurs when the consumer misperceives the service quality. The physician may keep visiting the patient to show care, but the patient may interpret this as an indication that something really is wrong.

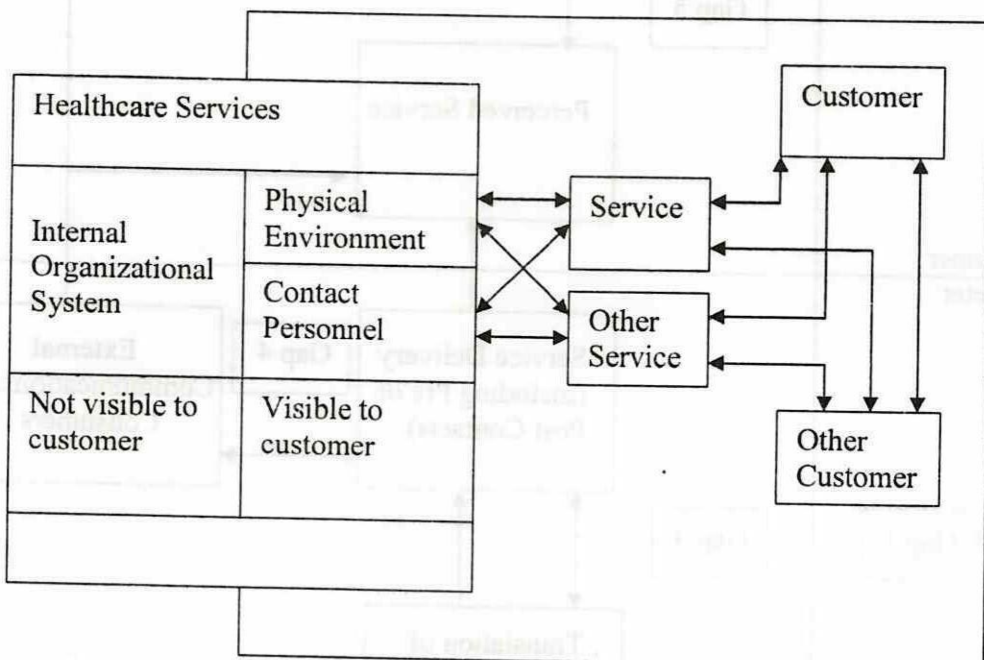


Word – of – Mouth
Experience
Communications
Personal Needs
Past ·
Expected Service
Gap 5
Perceived Service
Consumer
Marketer
Service Delivery
(including Pre or
Post Contacts)
Gap 4
External
Communications to
Consumers
Gap 1
Gap 3
Translation of
Perceptions into
Service quality
Specifications
Gap 2
Management
Perceptions of
Consumers
Expectations

Various studies have shown that well-managed service companies share the following common practices: a strategic concept, a history of top management commitment to quality, high standards, self-service technologies system for monitoring service performance and customer complaints, and an emphasis an employee satisfaction.

**Delivery of Hospital Sersvices**

The health care services delivery system.



While performing and delivering a hospital service the most important aspects to be considered are the following:

1. Procedure : A mode of conducting a function , A series of actions conducted in a certain order or manner
2. Task : A piece of work to be done.
3. Schedule : A :metable or programme of planned extent of work.
4. Mechanism : A mode of operation
5. Activities and Routines : A regular course of procedure , the unvarying performance of an act .

In order to understand the above aspects mentioned and how it works in the real setting. A classical case of how specialized Hernia repair service is produced and delivered at the Shouldice Hospital is exhibited.

This case clearly portrays the procedure, Task, Schedule, Mechanism, activities and routines followed by their Personnel while delivering their exceptional service of repairing Hernia.

The people involved are mentioned below along with their experiences.

1. Patients
2. Doctors
3. Nurses

## THE SHOULDICE METHOD OF REPAIRING HERNIA

An introduction to the Shouldice method of repairing Hernia

In the shouldice method, the muscles of the abdominal wall were arranged in three distinct, layers, and the opening was repaired-each layer in turn-by overlapping its margins in much the same manner as the edges of a coat might be overlapped when buttoned. The end result was to reinforce the muscular wall of the abdomen with six rows of sutures (stitches) under the skin cover, which was then closed with clamps that were removed within 48 hours after the operation.

(Other methods might not separate muscle layers, often involved fewer rows of sutures, and sometimes or meshes under the skin.)

The typical first-time repair could be completed with the use of preoperative sedation (sleeping pill).and analgesic (pain killer) plus a local anesthetic, an injection of Novocain in the region of the incision. This allowed immediate patient ambulation and facilitated rapid recovery. Many of the recurrences and the very difficult hernia repairs, being more complex, could require up to 90 minutes and more. In some circumstances, a general anesthetic was administered.

## THE PATIENT'S (EXPERIENCE)

The process experienced by Shouldice patients depended on whether or not they lived close enough to the hospital to visit the facility to obtain a diagnosis. Out-of-town patients often were diagnosed by mail, using the medical Information questionnaire.

### Step I: Analysis of the filled in Questionnaire from the Respondence

Of every eight questionnaires sent, seven were returned to the hospital in completed form. Based on information in the question-nacre, a shouldice surgeon would determine the type of hernia the respondent had and whether there were signs that some risk might be associated with surgery (for example, an overweight or heart condition, or a patient who had suffered a heart attack or a stroke in the past six months to a year or whether a general or local anesthetic was required). At this point, a patient was given an operating date, the medical information was logged into a computerized data base, and the patient was sent a confirmation card; if necessary, a sheet outlining a weight loss program prior to surgery and brochure describing the hospital and the Shouldice method were also sent. A small proportion was refused treatment, either because they were too far, represented an undue medical risk, or because it was determined that they did not have a hernia.

If confirmation cards were not returned by the patient three days or more prior to the scheduled operation the patient was contracted by phone. Upon confirmation, the patient's folder was sent to the reception desk to await his or her arrival.[3]

**Step II: Patients visit to the Hospital and Receipt of the service (Hernia Repair)**

Arriving at the Clinic, between 1.00 p.m. and 3.00p.m. the day before the operation, a patient might join up with 30 to 34 other patients and their friends and families in the waiting room. After a typical wait of about 20 minutes-depending on the availability of surgeons – a patient was examined in one of six examination rooms staffed by surgeons who had completed their operating schedules for the day. This examination required no more than 15 to 20 minutes, unless the patient needed reassurance. (Patients typically exhibited a moderate level of anxiety until their operation was completed.) At this point it occasionally was discovered that a patient had not corrected his or her weight problem; others might be found not to have a hernia after all. In either case, the patient was sent home.

Following his or her examination, a patient might experience a wait of 5 to 15 minutes to see one of two admitting personnel in the accounting office. Here, health insurance coverage was checked, and various details were discussed in a procedure that usually lasted no more than 10 minutes. Patients sometimes exhibited their nervousness by asking many questions at this point, requiring more time of the receptionist.

Patients next were sent to one of two nurses' stations where, in 5 to 10 minutes and with little wait, their hemoglobin (blood0 and urine were checked. At this point, about an hour after arriving at the hospital, a patient was directed to the room number shown on his or her wrist band. Throughout the process, patients were asked to keep their language (usually light and containing only a few items suggested by the hospital) with them.

All patient rooms at the hospital were semiprivate, containing two beds. Patients with similar jobs, backgrounds, or interests were assigned to the same room to the extent possible. Upon reaching their rooms, patients busied themselves unpacking, getting acquainted with roommates, changing into pajamas, "prepping" themselves (shaving themselves in the area of the operation), and providing a urine sample.

At 5.00 p.m. a nurse's orientation provided the group of incoming patients with information about what to expect, the drugs to be administered, the need for exercise after the operation, the facility, and the daily routine. Dinner was served

from 5.30 to 6.00 p.m. in a 100-seat dining room on a first come, first-served basis. Following further recreation, tea and cookies were served at 9.00p.m. in the lounge area. Nurses emphasized the importance of attendance at that time because it provided an opportunity for preoperative patients to talk with those whose operations had been completed earlier that same day. Nearly all new patients were "tucked into bed" between 9.30 and 10.00 p.m. in preparation for an early awakening prior to their operations.

Patients to be operated on early in the day were awakened at 5.30 A.M. to be given pre-operation and to be dressed in an O.R. (operating room) gown. An attempt was made to schedule operations for roommates at approximately the same time. Patients were taken to the pre-operating room where the circulating nurse administered Demerol, an analgesic, 45 minutes before surgery. A few minutes prior to the first operation at 7.30 A.M., the surgeon assigned to each patient administered Novocain, a local anesthetic. During the operation, it was the responsibility of the circulating nurse to monitor the patient's comfort, to note times at which the Novocain was administered and the operation begun, and to arrange for the administration of Demerol to the patient scheduled next on the operating table, depending on the progress of the surgery under way. This was in contrast to the typical hospital procedure in which patients were sedated in their rooms prior to being taken to the operating rooms.

Upon the completion of the operation, during which a few patients were "chatty" and fully aware of what was going on, patients were invited to get off the operating table and walk to the post-operating room with the help of their surgeons.

Ninety-nine percent accept the surgeons invitation. While we put them in wheelchairs to return them to their rooms , the walk from the operating table is for psychological as well s physiological [blood pressure, respiratory] reasons. Patients prove to themselves that they can do it, and they start their all-important exercise immediately

**Step III: After the receipt of the service (Repair of Hernia)**

Throughout the day after their operation, patients were encouraged to exercise by nurses and housekeepers alike, By 9:00 P.M. on the day of their operations, all patients were ready and able to walk down to the dining room for tea

and cookies, even if it meant climbing stairs, to help indoctrinate the new "class" admitted that day.

Patients in their second or third day of recovery were awakened before 6:A.M. so they could loosen up for breakfast, which was served between 7:45 and 8:15 A.M. in the dining room. Good posture and exercise were thought to aid digestion and deter the buildup of gas that could prove painful. After breakfast on the first day after surgery, all of the skin clips (resembling staples) holding the skin together over the incision were loosened and some removed. The reminder were removed the next day. On the fourth morning, patients were ready for discharge.

During their stay, patients were encouraged to take advantage of the opportunity to explore the premises and make new friends. Some members of the staff felt that the patients and their attitudes were the most important element of the Shouldice program.

Patients sometimes ask to stay an extra day. Why? Well, think about it. They are basically well to begin with. But they arrive with a problem and a certain in amount of nervousness, tension, and anxiety about their surgery. Their first morning here they're operated on and experience a sense of relief from something that's been bothering them for a long time. They are immediately able to get around, and they've got a three –day holiday ahead of them with a perfectly good reason to be away from work with no sense of guilt. They share experiences with other patients, make friends easily, and have the run of the hospital. In summer, the most common after-effect from the surgery is sunburn. They kid with the staff and make this a positive experience for all of us.

The average patient stay for comparable operations at other hospitals was thought to be five to seven or eight days, but it had been declining because of a shortage of beds and the tendency to give elective surgery a low priority for beds. Shouldice patients with jobs involving light exercise could return to work within a week after their operations, but those involved in more strenuous work, whose benefits were insured, received four weeks of benefits and recuperation. All self-employed persons returned to work much earlier. In general, typical times for recuperation from similar operations at other hospitals were two weeks for those in jobs requiring light exercise and eight weeks for those in more strenuous jobs, due largely to long-established treatment regimens.

## THE NURSES' EXPERIENCE

The nursing staff comprised 22 full-time and 18 part-time members. They were divided into four groups (as shown in Exhibit 2), with supervisors for the hospital, operating room, laboratory, and central supply reporting to the director of nursing.

While the operating rooms were fully staffed from about 7 A.M. through the last operation ending in the mid-to late afternoon, the hospital was staffed with three shifts beginning at 7 A.M., 3 P.M., and 11 P.M. Even so, minimal patient needs for physical assistance allowed shouldice to operate with much lower nurse-to-patient ratio than typical hospital. Shouldice nurses spent unusually large proportion of their time counseling activities.

## THE DOCTORS' EXPERIENCE

The hospital employed 12 full-time surgeon 7 part-time assistant surgeons, Each operating team required a surgeon, an assistant surgeon, a scrub nurse, a circulating nurse. The operating load vanished from 30 to 36 operations per day. As a rest each surgeon typically performed three four operations each day.

A typical surgeon's day started with scrubbing shortly before the first scheduled operation at 7:30 A.M. If the first operation was routine, it usually was completed by 8.00 A.M. At its conclusion, the surgeon help the patient walk from the operation theater to their respective room .The next patient is called for his operation While the patient was being prepared and awaiting the effects of the Demerol to set in, the surgeon completed the previous patient's file using five or so minutes of comments coming from the operation. Postoperative instructions were routine unless specific instructions issued by the surgeon. The surgeon after scrubbing could be ready to operate at 8:30 A.M.

Surgeons were advised to take a break after their second or third operation. Even though, a surgeon could complete three routine operations and a fourth involving a reference (a 60-to 90-minute procedure) and be finished in time for a 12:30 P.M. lunch at the staff lunch room

After the lunch when a surgon is not scheduled to operate that afternoon he moves upstairs to examine the incoming patients between 1:00 and 3:00 P.M. The surgeon's day ends by 4.00P.M.

## QUESTIONS

1. Explain the term Internal marketing
2. what is customer relationship marketing?
3. Define services quality in Hospital services.

# Unit - VI

## Physical evidence in hospital services:

**Definition:**

"Physical evidence is the environment in which the service is delivered and where the firm and the customer interact, and any tangible commodities that facilitate performance or communication of the service".

The above mentioned definition encompasses the actual physical facility where the Health Care Service is performed is termed as "SERVICE CAPE".

**Hospital Service – Physical Evidence Meaning:**

As Health Care Services are intangible, customer often rely on tangible cues, or physical evidence to evaluate the service before its consumption and to assess their satisfaction with the service during and after consumption. The exterior attribute that are visible include signage, parking landscape and the interior attribute include (design / layout, equipment and décor).

**Components of the Servicescape for health care services**

| Servicescape | Other Tangibles |
|---|---|
| Facility exterior | Business cards |
| Exterior design | Stationery |
| Signage | Billing statements |
| Parking | Reports |
| Landscape | Employee dress |
| Surrounding environment | Uniforms |
| | Brochures |
| Facility interior | Web pages |
| Interior design | virtual services cape |
| Equipment | |
| Signage | |
| Layout | |
| Air quality/temperature | |

**Need of Physical evidence:**

**Package:**

Similar to a tangible product's package, the health care servicescape and other elements of physical evidence essentially "Wrap" the service and convey an external image of what is "inside" to consumers. Product packages are designed to portray a particular image as well as to evoke a particular sensory or emotional reaction. The physical setting of a service does the same thing through the interaction of many complex stimuli. The servicescape is the outward appearance of the organization and thus can be critical in forming initial impressions or setting up customer expectations – it is a visual metaphor for the intangible medical service. This packaging role is particularly important in creating expectations for new customers and for newly established service organizations that are trying to build a particular image. The physical surroundings offer an organization the opportunity to convey an image in a way not unlike the way an individual chooses to "dress for success". The packaging role extends to the appearance of contact personnel through their uniforms or dress and other elements of their outward appearance.

Interestingly, the same care and resource expenditures given to package design in product marketing are not generally provided for services, even though the service package serves a variety of important roles. There are many exceptions to this generality.

**Facilitator:**

The servicescape can also serve as a facilitator in aiding the performances of persons in the environment. How the setting is designed can enhance or inhibit the efficient flow of activities in the health care service setting, making it easier or harder for customers, patients and employees to accomplish their goals. A well-designed, functional facility can make the service a pleasure to experience from the patient's point of view and a pleasure to perform from the doctors. On the other hand, poor and inefficient design may frustrate both customers and employees.

**Socializer:**

The design of the health care servicescape aids in the socialization of both employees and customers in the sense that it helps to convey expected roles, behaviors, and relationships. For example, a new employee in a professional services firm would come to under-stand her position in the hierarchy partially through noting her office assignment, the quality of her office furnishings, and her location relative to others in the organization.

The design of the facility can also suggest to customers what their role is relative to employees, what parts of the servicescape they are welcome in and which are for employees only, how they should behave while in the environment, and what types of interactions are encouraged.

The organization also recognizes the need for privacy, providing areas that encourage solitary activities.

**Differentiator:**

The design of the physical facility can differentiate a firm from its competitors and signal the market segment the health care service is intended for. Given its power as a differentiator, changes in the physical environment can be used to reposition a firm and/or to attract new market segments.

The design of a physical setting can also differentiate one area of a service organization from another. Price differentiation is also often partially achieved through variations in physical setting.

**Importance of Physical Environment:**

The physical environment in which the Health Care Services takes place, "servicescape" has an important influence in both customer and employee satisfaction. The atmospherics of the physical setting in which a service is delivered can greatly enhance or detract from its quality.

1. Physical environment and surrounding can play a key role in providing as about the expected level of quality. E.g., A plushy furnished physicians office have expensive original artwork on the walls communicate a different level of performance (and price) than a sparsely furnished messy office.

2. The servicescape can affect the actual delivery of the service, the environment of a hospital can influence people's willingness to stay and socialize with others. Often the introduction of background music can influence the people's traffic flow.

3. Certainly a physically uncomfortable setting in some heath care organizations can inhibit the doctor's performance and can affect his or her emotional state also.

4. Unique physical surroundings can be a source of differentiation for a health care organization.

There are three basic dimensions of a servicescape that can be manipulated in order to get the best output from both health care service customers and employees.

2. The ambient conditions
3. The spatial layout
4. Functionality

These three dimensions affect customers and employees in the medical services in three different ways.

- There is a cognitive response as people interpret the cues. Customers in medical services may deduce the quality of the service offered by the firm, and employees may draw conclusions about the firm's internal culture or their personal importance to the firm from the physical surroundings they observe.

- These can be an emotional response to the surrounding that can greatly influence a person's satisfaction level and intention to return and speak positively about the health care organization to his or her peers.

- There is a physiological response, such as a discomfort from hard seating at a hospital or a too-cold temperature in a medical class room. These responses can affect both medical customer enjoyment and the ability of medical service providers to do quality work. E.g.: At the shouldice hospital in Toronto, a facility that specializes in hernia operations, the facility has low-rise stairways, common rooms at the end of hallways, the gardens to encourage patients to get up and walk as soon as possible. This environment comforts the patients.

**Types of Service capes:**

The physical setting may be more or less important in achieving the organization's marketing and other goals depending on certain factors.

Services capes can be broadly classified under two major types

(1) Servicescape use

(2) Complexity of the servicescape

**(1) Servicescape use**

- At one extreme is the self-service environment, where the customer performs most of the activities and few if any employees are involved. Examples of self-service environments include ATMs, movie theaters, express mail drop-off facilities, self-service entertainment such as golf and theme parks, and online internet services. In these primarily self-service environments the organization can plan the servicescape focusing exclusively on marketing goals such as attracting the right market segment and making the facility pleasing and easy to use. Today we also have complicated medical consultation and physical examination done by patients themselves via computers.

- At the other extreme of the use dimension is the remote service, where there is little or no customer involvement with the servicescape. Telecommunications, utilities, financial consultants, editorial, and mail-order services are examples of services that can be provided without the customer ever seeing the service facility.

- Interpersonal services are placed between the two extremes and represent situations where both the customer and the employee must be present into the servicescape. Examples abound such as hospitals. In these cases the servicescape must be planned to attract, satisfy, and facilitate the activities of both customers and employees simultaneously. Special attention must also be given to how the servicescape affects the

nature and quality of the social interactions between and among customers and employees.

(2) **Complexity of the servicescape**

- Some service environments are very simple, with few elements, few spaces, and few pieces of equipment. Such environments are termed lean. For lean servicescapes, design decisions are relatively straightforward, especially in self-service or remote service situations in which there is no interaction among employees and customers.

- Other servicescapes are very complicated, with many elements and many forms. They are termed elaborate environments. An example is hospital with its many floors and rooms, sophisticated equipment, and complex variability in functions performed within the physical facility. In such an elaborate environment, the full range of marketing and organizational objectives theoretically can be approached through careful management of the servicescape. For example, a patient's hospital room can be designed to enhance patient comfort and satisfaction while simultaneously facilitation employee productivity. Firms such as hospitals that are positioned in the elaborate interpersonal service cell face the most complex servicescape decisions. To illustrate, when the ***Mayo clinic, probably the best-known name is U.S. health care, opened its hospital in Scottsdale, Arizona, in 1998, the organization painstakingly considered the interrelated goals, needs, and feelings of its employees, doctors, patients, and visitors in designing its distinctive servicescape.***

**Physical facilities and Equipment's:**

Physical facilities and equipment in the health care organizations refer to all the physical items along with the equipment's, tools and tangible products that play the most vital role in delivering the most appropriate medical services to the needy at an appropriate time.

**Facility at Mayo Clinic**

Mayo Clinic located on a 210-acer site, the hospital houses 178 hospital rooms on five floors, over 250 physicians, 950 nursing, technical, and support staff; and 300 volunteers work at the facility.

What is unique about this hospital facility is the tremendous care that was taken in its design to serve the needs of patients, doctors, staff, and visitors. The hospital is designed as a "healing environment" focused on patient needs, and focus groups were held with all constituents to determine how the hospital should be designed to facilitate this overall goal. A quotation from the Mayo brothers (founders of the clinic) captures the underlying belief that supported the design of the hospital: "The best interest of the patient is the only interest to be considered". This statement lies at the foundation of all Mayo does, even today; over 100 years after the Mayo brothers began their practice of medicine. To focus on the best interests of the patient also requires acknowledgement of the needs of the care providers and the patient's family and friend support system. All of these interests were clearly considered in the design of the hospital.

A Five-story Atrium Low-Stress Entry: As patients and others enter the Mayo Hospital, they encounter a five-story enclosed atrium, reminiscent of a luxury hotel lobby. A grand piano sits in the lobby, and volunteers play beautiful, relaxing music throughout the day. An abundance of plants and glass gives the lobby a natural feel and provides a welcoming atmosphere. On entering, visitors see the elevator bank.

All patient and visitor services are Together All Services needed by patients and their families (information desk, cafeteria, chapel, patient admissions, gift shop) are located around the atrium, easily visible and accessible. There is a sense of peace and quiet in the lobby- all by deliberate design to reduce stress and promote a sense of caring and wellness. There is no confusion here, and very little that reminds one of a typical hospital entry.

Rooms are Designed Around patient Needs and Feelings: On disembarking the elevators to go to patient rooms, people again sense relaxation and peace in the environment. As the doors open, patients and guests face a five-story wall of paned glass with views out to the desert and mountains that ring the hospital site. As one progresses left or right down well-marked corridors to the patient rooms, the atmosphere becomes even quieter. Rooms (all of them private) are arranged in 12-bed pods surrounding a nursing station. Nurses are within 20 steps of any patient room. Nurses and other attendants use cell phones-there is no paging system with constant announcements as in many hospitals.

The rooms themselves have interesting features, some designed by patients. For example, there is a multi shelf display area on which patients can put cards, flowers, and other personal items. Fold-out, cushioned bed-chairs are in each room so family members can nap or even spend the night with their loved ones, visitors are never told they must leave. The rooms are arranged considering what patients see from the beds, where they spend the most time. For example, special attention is paid to the ceilings, which patients view while flat on their backs; all rooms have windows; and a white board on the wall at the foot of each bed displays important information that patients want to know (like the name of the nurse on duty, the date, the room phone number, and other information).

Departments that work Together Are Adjacent: Another interesting design feature in this hospital is that departments that work together are housed very close to each other to facilitate communication and to reduce walking time between areas. This important feature allows caregivers to spend more time with patients and also lessens employee fatigue.

Maximize Nurses' Time with patients: It has been shown that a critical element in the recovery of patients is the quality of care they are given by nurses. Any of the Mayo Clinic Hospital design feature facilitates the quality of nursing care. The pod design puts nurses close to their patients; the white boards in the rooms allow easy communication; and the accessible placement of supplies and relevant departments' help to maximize the time nurses spend with patients.

It is clear that the design of the Mayo Hospital takes into account the critical importance of the service cape in facilitating Mayo's primary goal: patient healing. All parties' voices were heard, and the place itself provides an environment that promotes well-being for patients, visitors, doctors, nurses, and other staff.

**Equipments and materials used in Health care services**

Health care services are the result of a number of equipments and materials used in the process of health care services delivery

The materials and equipments used in the health care services are Perfusion material, surgical disposable instruments Oxygen, Bio-medical equipments, disinfecting equipments, Anesthesia equipments and surgical equipments. Some of the equipments are very expensive; some of the items are found covering more space, some perishable and some sensitive to the climatic conditions.

## BROCHURE

To begin with, a brochure should have the name of the hospital consistent with the size and magnitude of the hospital. One could get a logo designed which will communicate something meaningful. It should be done in a way so as to instill an image of hope which will not only reveal the purpose but would go a long way in securing lasing impression. The philosophy or the unchanging variable of the organization should be clear and understandable by the audience. A brief history can be given which will focus on the brain and the motivating force behind the venture. Your basic objective behind this venture should also be communicated and what facilities will be offered initially. In case your team member have done any research or have been exposed to new technology in your field then this can enhance your credibility and public image. To keep the public well informed you could mention the latest discovery in your field of expertise and also how and when do you intend to bring in this technology within the existing framework of your

institution. In order to create a genuine interest and a ray of hope in the minds of the people it will be good to mention where would you like to reach in the next five or ten years from now.

The information furnished in the brochure shouid be verified and attainable. Any incorrect information or unrealistic communication could create confusion and end up in tarnishing the image of your institution. It is advisable to engage an expert to do the write up, logo designing and front page setting. Larger hospitals may prefer to have two different brochures: one for the general public and another for the practitioners and institutions who refer their cases. A few pictures of certain departments or the latest equipment can be advantageous. If you are convinced in using this tool, you have already taken the first step in establishing your identity which is a key factor in your search for uniqueness.

## QUESTIONS

1. Explain the term physical evidence in hospital services and discuss its importance

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MODEL QUESTION PAPER

## MARKETING OF HOSPITAL SERVICES

**TIME: 3 Hours** **Max. Marks: 100**

SECTION – A (5 × 8 = 40)

**Answer any FIVE questions**

All Questions carry equal marks.

1. What are the Salient features of Services?
2. Explain the process of planning in Hospital Services
3. How can you segment the market for Health Care Services – discuss
4. What are the components of Services Marketing Mix for Hospital Services – Explain briefly
5. How would you brand a hospital service – discuss
6. How would you plan and develop a new services for a health care service organization – discuss the process in detail
7. Discuss "Packaging of Services"
8. What are the factors that influence the pricing of a health care service? Discuss

**SECTION – B** **(4 × 15 = 60)**

**Answer any FOUR questions**

9. What are the different methods that can be followed while pricing a medical service?
10. Explain in detail the factors to be considered while distributing a health care service?
11. Explain the promotional policies that could be adopted for marketing a health care service.
12. Discuss the importance of people and process in hospital services.
13. What is internal Marketing? Explain briefly the components of internal marketing?
14. Explain in detail the meaning, need and importance of physical evidence in hospital services.
15. Discuss the importance of Brochures for Promoting health care services